
PORTOFINO RESOURCES INC.

FINANCIAL STATEMENTS

AS AT

MAY 31, 2021 AND 2020

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Portofino Resources Inc.

Opinion

We have audited the financial statements of Portofino Resources Inc. (the "Company") which comprise the statements of financial position as at May 31, 2021 and 2020, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 *Auditors' 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 ours audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

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

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. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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 auditors' report is Waseem Javed.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
September 21, 2021

PORTOFINO RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2021 AND 2020
(Expressed in Canadian dollars)

	Note	2021	2020
		\$	\$
ASSETS			
CURRENT			
Cash		274,111	301,749
Amounts receivable	8	142,224	38,988
Taxes receivable		56,294	18,440
Prepaid expenses		67,805	84,367
		540,434	443,544
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	8	60,044	189,831
EQUITY			
SHARE CAPITAL	6	7,156,779	4,615,312
CONTRIBUTED SURPLUS	6	966,952	794,378
DEFICIT		(7,643,341)	(5,155,977)
		480,390	253,713
		540,434	443,544

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)

Approved and authorized for issue on behalf of the Board on September 21, 2021

/s/ "David Tafel" CEO /s/ "Jeremy Wright" CFO

The accompanying notes are an integral part of these financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(Expressed in Canadian dollars)

	Note	2021	2020
		\$	\$
EXPENSES			
Advertising and promotion		1,514	183
Amortization		-	209
Consulting fees		649,018	194,632
General exploration expenditures	5	913,189	142,400
Investor communications		425,263	68,181
Management fees	8	150,200	105,000
Office		143,580	39,093
Professional fees	8	81,029	119,893
Rent		36,753	14,487
Share-based payments	6, 8	194,220	-
Transfer agent and filing fees		74,632	21,198
Travel and promotion		5,509	11,187
LOSS BEFORE OTHER ITEM		(2,674,907)	(716,463)
OTHER ITEM:			
Gain on sale of marketable securities	5	187,543	-
Interest income	7	-	58,236
Write-down of promissory note receivable	7	-	(292,110)
NET LOSS AND COMPREHENSIVE LOSS		(2,487,364)	(950,337)
LOSS PER SHARE – Basic and diluted		(0.06)	(0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		44,310,495	26,203,563

The accompanying notes are an integral part of these financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(Expressed in Canadian dollars)

	<u>Common Shares</u>				
	Number of Shares	Amount \$	Contributed Surplus \$	Deficit \$	Total \$
Balance, May 31, 2019	24,001,684	3,757,407	739,791	(4,205,640)	291,558
Shares issued for cash	22,364,285	882,500	-	-	882,500
Shares issued for mineral property	1,400,000	68,000	-	-	68,000
Share issuance costs	-	(92,595)	54,587	-	(38,008)
Net loss and comprehensive loss	-	-	-	(950,337)	(950,337)
Balance, May 31, 2020	47,765,969	4,615,312	794,378	(5,155,977)	253,713
Shares issued for cash	7,705,000	770,500	-	-	770,500
Shares issued for mineral property	2,275,000	238,875	-	-	238,875
Shares issued for exercise of warrants	24,050,274	1,604,097	(53,274)	-	1,550,823
Share issuance costs	-	(72,004)	31,627	-	(40,377)
Share-based payments	-	-	194,220	-	194,220
Net loss and comprehensive loss	-	-	-	(2,487,364)	(2,487,364)
Balance, May 31, 2021	81,796,243	7,156,780	966,951	(7,643,341)	480,390

The accompanying notes are an integral part of these financial statements

PORTOFINO RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(Expressed in Canadian dollars)

	2021	2020
	\$	\$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	(2,487,364)	(950,337)
Adjusted for items not affecting cash:		
Amortization	-	378
Interest income	-	(58,235)
Gain on sale of marketable securities	(187,543)	-
Shares issued for general exploration expenditures	138,125	68,000
Share-based payments	194,220	-
Write-down of promissory note receivable	-	292,110
	(2,342,562)	(648,084)
Changes in non-cash working capital balances:		
Amounts receivable	(103,236)	19,221
Taxes receivable	(37,854)	(2,468)
Prepaid expenses	16,562	(38,033)
Accounts payable and accrued liabilities	(129,787)	74,634
Cash used in operating activities	(2,596,877)	(594,730)
INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	288,293	-
Receipt of promissory note	-	50,000
Cash used in investing activities	288,293	50,000
FINANCING ACTIVITIES		
Shares issued for cash	770,500	882,500
Shares issued from exercise of warrants	1,550,823	-
Share issuance costs	(40,377)	(38,008)
Cash provided by financing activities	2,280,946	844,492
CHANGE IN CASH	(27,638)	299,762
CASH, BEGINNING OF YEAR	301,749	1,987
CASH, END OF YEAR	274,111	301,749
SUPPLEMENTAL CASH DISCLOSURES:		
Interest paid	-	-
Income taxes paid	-	-
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Fair value of shares issued for general exploration	238,875	68,000
Fair value of finder warrants issued	31,627	54,587

The accompanying notes are an integral part of these financial statements

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Portofino Resources Inc. (“the Company”) was incorporated on June 14, 2011 under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is Suite 520, 470 Granville Street, Vancouver, British Columbia, Canada. The Company’s shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “POR”. On October 10, 2018, the Company incorporated a subsidiary under the laws of Argentina, Portofino Argentina, which is an inactive entity with no transactions occurring during the years ended May 31, 2021 and 2020. The subsidiary is owned 95% by the Company and 5% by the Company’s chief executive officer.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at May 31, 2021, the Company had not yet determined whether the Company’s mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The outcome of these matters cannot be predicted at this time and indicate the existence of a material uncertainty that casts significant doubt upon the Company’s ability to continue as a going concern.

The Company had a deficit of \$7,643,341 as at May 31, 2021, which has been funded by the issuance of equity. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These financial statements do not give effect to any adjustments which would be necessary should the company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

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. The Company’s operations have not been drastically impacted by the pandemic. Management of the Company continues to monitor the situation and is following the protocols and rules set in place by the provincial and federal governments.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on September 21, 2021.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Equipment

Equipment is recorded at cost less accumulated amortization. Equipment is amortized on a straight-line basis over 3 years.

d) Exploration and evaluation assets

Costs incurred with respect to exploration and evaluation (“E&E”) of the Company’s mineral properties, including acquisition costs, are expensed as incurred until the technical feasibility and commercial viability of extracting the mineral resource is determined.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction”. E&E assets are tested for impairment before the assets are transferred to development properties.

The Company assesses each significant asset for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

e) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

The fair value of the stock options and agent warrants is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on historical experience), expected dividends, expected forfeitures, and risk-free interest rate (based on government bonds).

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss based on the pro-rata portion of the deferred premium. To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Foreign currency

The Company's presentation and functional currency is the Canadian dollar. Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

h) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

j) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Income taxes (continued)

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences, which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- ii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income.

The Company has implemented the following classifications for financial instruments:

- The Company's financial assets are cash and amounts receivable. Cash is classified as fair value through profit or loss and any changes to fair value subsequent to initial recognition are recorded in profit or loss for the period in which they occur. Amounts receivable and promissory notes are classified as amortized cost.
- Financial liabilities comprise accounts payable. These financial liabilities are classified as and are measured at amortized cost using the effective interest method. Interest expense is recorded in profit or loss, as applicable.

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The following table summarizes the classification of the Company's financial instruments under IFRS 9, Financial Instruments:

	Classification
Financial assets	
Cash	FVTPL
Amounts receivable	Amortized cost
Financial liabilities	
Accounts payable	Amortized cost

IFRS 9, Financial Instruments, uses an expected credit loss model impairment model. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Significant accounting estimates

- i. the determination of fair values of share-based payments and finder's warrants; and
- ii. the measurement of deferred income tax assets and liabilities.

Significant accounting judgment

- i. the evaluation of the Company's ability to continue as a going concern.

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(Expressed in Canadian dollars)

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended May 31, 2021, and have not been early adopted in preparing these financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's financial statements.

5. EXPLORATION AND EVALUATION ASSET

During the year ended May 31, 2021 the following exploration and evaluation expenditures were incurred by the Company:

	2021	2020
	\$	\$
Property payments	323,770	106,464
Cash payment received for assignment	(50,000)	(50,000)
Fair value of marketable securities received for assignment	(100,750)	-
Exploration and evaluation expenditures	740,169	85,936
Total	913,189	142,400

Canada, Ontario

South of Otter, Red lake

Pursuant to an option agreement dated September 6, 2019, with 1544230 Ontario Inc. (the "SO Vendor"), the Company was granted an option to acquire a 100% undivided interest in the South of Otter property in the Red Lake area of Northern Ontario, Canada.

To acquire a 100% interest in the South of Otter property, the Company has issued 500,000 common shares and is to make payments over a 4-year period to the SO Vendor totaling \$70,000, as set out below:

- a) \$15,000 (paid) on signing,
- b) 500,000 shares (issued) following receipt of TSX-V approval of this transaction on October 7, 2019,
- c) \$8,000 (paid) due on the first anniversary of TSX-V approval,
- d) \$10,000 due on the second anniversary of TSX-V approval,
- e) \$12,000 due on the third anniversary TSX-V approval, and
- f) \$25,000 due on the fourth anniversary of TSX-V approval.

The vendor will retain a 1.5% Net Smelter Return ("NSR"), but Portofino has the right to purchase one half of the NSR (.75%) at any time up to commencement of production for a payment of \$400,000.

PORTOFINO RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSET (CONTINUED)

Gold Creek Property, Atikokan

On May 11, 2020, the Company signed an option agreement with Gravel Ridge Resources Ltd. ("Gravel Ridge"), that allows the Company to earn a 100% interest in mining exploration claims held by Gravel Ridge, and located primarily in Duckworth Township, Ontario (the "Gold Creek Property").

To acquire a 100% interest in the Gold Creek Property, the Company has agreed to issue 800,000 common shares of the Company to Gravel Ridge and make cash payments of \$70,600, as set out below:

- a) \$8,600 (paid) on signing,
- b) 400,000 shares (issued) following receipt of TSX-V approval of this transaction on May 21, 2020,
- c) \$12,000 (paid) and 400,000 shares (issued) due on the first anniversary of TSX-V approval,
- d) \$20,000 due on the second anniversary of TSX-V approval, and
- e) \$30,000 due on the third anniversary TSX-V approval.

On August 10, 2020, the Company entered into an option agreement amendment with respect to the inclusion of additional mining claims (3 mining claims/50 mining cells) to the Gold Creek Property.

Gold Creek Property, Duckworth Township

On August 21, 2020, the Company entered into an agreement with Mr. Philip Escher and Mr. Michael Tremblay ("Owners") to purchase 100% interest in 2 claims located in Duckworth Township, Ontario, contiguous to the Company's Gold Creek property. In consideration, the Company paid \$10,000 and issued 125,000 common shares as approved by the TSXV on September 4, 2020.

Sapawe West Property, Atikokan

The Company entered into an option agreement with 1544230 Ontario Inc. ("Owner"), dated May 22, 2020, to acquire a 100% interest in the Sapawe West Property claims located in Schwenger and McCaul Townships, Ontario.

To acquire a 100% interest in the Sapawe West Property, the Company has agreed to issue 700,000 common shares and make payments over a three-year period to the Owner totaling \$62,000, as set out below:

- a) \$12,000 (paid) on signing,
- b) 500,000 shares (issued) following receipt of TSX-V approval of this transaction on May 28, 2020,
- c) \$10,000 (paid) and 200,000 shares (issued) due on the first anniversary of TSX-V approval,
- d) \$15,000 due on the second anniversary of TSX-V approval, and
- e) \$25,000 due on the third anniversary TSX-V approval.

The Owner retains 1.5% NSR on all mineral production, 0.75% of which can be purchased by the Company for \$500,000.

5. EXPLORATION AND EVALUATION ASSET (CONTINUED)

Melema West Property, Atikokan

The Company entered into an option agreement with 1544230 Ontario Inc. (“Owner”), dated May 22, 2020, the Company was granted an option to acquire a 100% interest in Melema West Property located in Hutchinson, Bellmore Lake and Ramsay Wrights Townships, Ontario.

To acquire a 100% interest in the Melema West Property, the Company is to issue 700,000 common shares and make payments over a three-year period to the Owner totaling \$62,000, as set out below:

- a) \$12,000 (paid) on signing,
- b) 500,000 shares (issued) following receipt of TSX-V approval of this transaction June 16, 2020,
- c) \$10,000 and 200,000 shares due on the first anniversary of TSX-V approval,
- d) \$15,000 due on the second anniversary of TSX-V approval, and
- e) \$25,000 due on the third anniversary TSX-V approval.

The Owner retains 1.5% NSR on all mineral production, 0.75% of which can be purchased by the Company for \$500,000.

Catamarca, Argentina

Yergo Lithium Brine Project

Pursuant to an option agreement dated February 15, 2019, with a private Argentine concession owner (the “Yergo Optionor”), the Company was granted an option to acquire a 100% undivided interest in the Yergo lithium brine project in Catamarca, Argentina. The concession area comprises approximately 2,932 hectares encompassing the full salar.

To acquire a 100% interest in the Yergo Lithium Brine Project, the Company has agreed to make annual escalating payments to the Yergo Optionor over a four-year period totaling US\$370,000 as follows:

- a) US\$10,000 on signing (paid),
- b) By the 1st anniversary of approval- US\$20,000,
- c) By the 2nd anniversary of approval- US\$70,000,
- d) By the 3rd anniversary of approval- US\$120,000, and
- e) By the 4th anniversary- US\$150,000.

On August 14, 2020, the Company reached an agreement with the Yergo lithium project claim owner to amend the terms of its option agreement that enables the Company to earn 100% interest in the project. The original agreement required the Company to make escalating payments totaling US\$370,000 over a 48-month period with the next payment of US\$70,000 due by February 2021. The Claim owner has agreed to extend the payments such that the next payment is not required until August 14, 2022. The amended total payments to the Claim owner remain US\$370,000 and are detailed as follows:

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5. EXPLORATION AND EVALUATION ASSET (CONTINUED)

Yergo Lithium Brine Project (continued)

- a) US\$10,000 on signing agreement (paid),
- b) By August 30, 2020- US\$20,000 (paid),
- c) By August 14th, 2022- US\$70,000,
- d) By August 14th, 2023- US\$120,000, and
- e) By August 14th, 2024- US\$150,000.

Bruce Lake Property, Red Lake Mining District, Northwestern Ontario

The Company entered into an Optima Assignment Agreement with Falcon Gold Corp. ("Falcon"), dated June 20, 2020, to acquire a 100% interest in the 1,428 hectare Bruce lake Property in the Red Lake Mining District. Falcon assigned 100% of its interest in five mineral claims, known as Bruce Lake Property to the Company.

To acquire a 100% interest in the Bruce Lake Property, the Company has issued 650,000 common shares and is to make payments over a three-year period to Falcon totaling \$52,000, as follows:

- a) 650,000 shares (issued) within 15 days of effective date,
- b) \$8,000 (paid) on or before September 6, 2020,
- c) \$10,000 on or before September 6, 2021,
- d) \$14,000 on or before September 6, 2022, and
- e) \$20,000 on or before September 6, 2023.

The claims are subject to 0.5% NSR.

Allison Lake North Property, Northwestern Ontario

On April 6, 2021, the Company entered into an option agreement with 1544230 Ontario Inc. and Gravel Ridge Resources Ltd. (the "Optionors").

To acquire a 100% interest in the Allison Lake North Property, the Company has issued 400,000 common shares and is to make payments and issue additional common shares over a three-year period, as follows:

- a) \$12,000 on signing of the Option Agreement (paid),
- b) 400,000 shares (issued) upon receipt of TSXV Exchange approval,
- c) \$16,000 and 400,000 shares due on or before one-year anniversary of TSXV Exchange approval,
- d) \$20,000 due on or before two-year anniversary of TSXV Exchange approval, and
- e) \$30,000 due on or before one-year anniversary of TSXV Exchange approval.

The claims are subject to 1.5% NSR.

5. EXPLORATION AND EVALUATION ASSET (CONTINUED)

Prior Property Agreements

Hombre Muerto West Lithium Brine Project, Catamarca, Argentina

Pursuant to an option agreement dated September 6, 2018, with a private Argentine concession owner (the "Hombre Muerto Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Hombre Muerto West lithium brine project in Catamarca, Argentina. The Hombre Muerto West lithium brine project is comprised of two claim blocks totalling 1,804-hectares located within the Salar del Hombre Muerto.

To acquire a 100% interest in the Hombre Muerto West lithium brine project, the Company has agreed to make annual escalating payments to the Hombre Muerto Optionor over a four-year period totalling US\$400,000 and 1,000,000 common shares as follows:

- a) An initial US\$15,000 deposit (paid).
- b) Within 30 days of execution of a definitive agreement-pay US\$7,000 (paid).
- c) Upon TSX-V Exchange approval – issue 100,000 shares.
- d) By the first anniversary of TSX-V Exchange approval – issue 200,000 shares and pay US\$14,000,
- e) By the 2nd anniversary of approval- issue 200,000 shares and pay US\$44,000,
- f) By the 3rd anniversary- issue 500,000 shares and pay US\$100,000, and
- g) By the 4th anniversary- pay US\$220,000.

On September 24, 2020, the Company completed the assignment of 100% of its interest and rights and obligations related to the Hombre Muerto West Lithium Brine Project to Galan Lithium Limited ("Galan"). As consideration, the Company received \$100,000 in cash and 650,000 common shares of Galan. The cash proceeds of \$100,000 and fair value of Galan's common shares received were recorded against the general exploration expenditures on the statement of comprehensive loss for the year ended May 31, 2021. During the year ended May 31, 2021, the Company disposed of the Galan common shares and recorded a gain on sale of marketable securities of \$187,543.

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6. SHARE CAPITAL

a) Authorized:

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

b) Escrow Shares:

There were no common shares held in escrow as at May 31, 2021 and 2020.

c) Issued and Outstanding as at May 31, 2021: 81,796,243 common shares

During the year ended May 31, 2021

- (i) The Company issued 500,000 common shares on June 16, 2020, pursuant to a mineral property option agreement dated May 22, 2020 regarding the Melema West Property.
- (ii) The Company issued 650,000 common shares on July 13, 2020, pursuant to a mineral property option agreement dated June 20, 2020 regarding the Bruce Lake Property.
- (iii) The Company issued 125,000 common shares on September 4, 2020, pursuant to a mineral property option agreement dated August 21, 2020 regarding the Gold Creek Property.
- (iv) The Company issued 6,305,000 units for gross proceeds of \$630,500 on November 10, 2020. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at \$0.15 for two years. The Company issued 318,400 finder's warrants with a fair value of \$31,627. Each finder's fee warrant entitles the holder to purchase one common share of the Company at \$0.15 per share for two years. The Company also paid \$32,640 in cash as finder's fees and incurred other costs of \$5,832.
- (v) The Company issued 1,400,000 units for gross proceeds of \$140,000 on March 29, 2021. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at \$0.15 for two years. The Company also incurred other costs of \$1,905 in share issuance costs.
- (vi) The Company issued 400,000 common shares on April 21, 2021, pursuant to a mineral property option agreement dated May 11, 2020, regarding the Gold Creek Property.
- (vii) The Company issued 400,000 common shares on May 21, 2021, pursuant to a mineral property option agreement dated April 6, 2021, regarding the Allison Lake North Property.
- (viii) The Company issued 200,000 common shares on May 28, 2021, pursuant to a mineral property option agreement dated May 22, 2020 regarding the Sapawe West Property.
- (ix) The Company issued 24,050,274 common shares during the year-ended May 31, 2021, pursuant to the exercise of warrants for gross proceeds of \$1,550,823.

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6. SHARE CAPITAL (CONTINUED)

During the year ended May 31, 2020

- (i) The Company issued 500,000 common shares on December 1, 2019, upon receipt of TSX-V approval pursuant to a mineral property option agreement dated September 6, 2019 regarding the South of Otter, Red Lake Property.
- (ii) The Company issued 15,714,285 units for gross proceeds of \$550,000 on April 27, 2020. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at \$0.05 for two years. The Company issued 597,509 finder's warrants with a fair value of \$28,143. Each finder's fee warrant entitles the holder to purchase one common share of the Company at \$0.05 per share for two years. The Company also paid \$21,513 in cash as finder's fees and incurred other costs of \$5,150.
- (iii) The Company issued 6,650,000 units for gross proceeds of \$332,500 on May 5, 2020. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at \$0.05 for two years. The Company issued 688,000 finder's warrants with a fair value of \$26,444. Each finder's fee warrant entitles the holder to purchase one common share of the Company at \$0.05 per share for two years. The Company also paid \$9,040 in cash as finder's fees and incurred other costs of \$2,305
- (iv) The Company issued 400,000 common shares on May 21, 2020, pursuant to a mineral property option agreement dated May 11, 2020, regarding the Gold Creek Property.
- (v) The Company issued 500,000 common shares on May 28, 2020, in connection with a mineral property option agreement dated May 22, 2020, regarding the Sapawe West Property.

d) Stock Options:

The Company has an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the outstanding common shares of the Company at any one time.

On July 14, 2020, the Company granted 2,000,000 stock options to certain officers, directors and consultants of the Company. Options vested on grant date, with an exercise price of \$0.12 per share until July 13, 2025. The fair value of the stock options granted was \$194,220 for the year ended May 31, 2021.

The fair values of the stock options were estimated using the Black Scholes option pricing model with the following assumptions:

	2021	2020
Share price	\$0.115	-
Risk free interest rate	0.34%	-
Expected life	5 years	-
Expected volatility	128%	-
Expected dividend	Nil	-

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6. SHARE CAPITAL (CONTINUED)

d) Stock Options (continued):

During the year ended May 31, 2021, the Company has the following options outstanding:

	Number of Options	Weighted Average Exercise Price
		\$
Outstanding and exercisable, May 31, 2019	2,233,750	0.20
Granted	-	-
Cancelled	-	-
Outstanding and exercisable, May 31, 2020	2,233,750	0.20
Granted	2,000,000	0.12
Cancelled	-	-
Outstanding and exercisable, May 31, 2021	4,233,750	0.16

The following options were outstanding and exercisable at May 31, 2021:

Number of Options	Weighted average Exercise Price	Expiry Date	Remaining Life (in years)
358,750	\$ 0.40	January 12, 2022	1.58
375,000	\$ 0.48	December 29, 2022	0.62
1,500,000	\$ 0.08	February 27, 2024	2.75
2,000,000	\$ 0.12	July 13, 2025	4.12
4,233,750	\$ 0.20		3.21

e) Warrants

During the year ended May 31, 2021, the Company issued 318,400 (2020: 1,285,509) finder's warrants in connection with the private placements disclosed in Note 6 (c). The fair value of \$31,627 (2020: \$54,587) was estimated using the Black Scholes option-pricing model with the following assumptions:

	2021	2020
Share price	\$0.14	\$0.055 - 0.065
Risk free interest rate	0.25%	0.29 – 0.33%
Expected life	2 years	2 years
Expected volatility	152%	142%
Expected dividend	Nil	Nil

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6. SHARE CAPITAL (CONTINUED)

e) Warrants (continued)

During the year ended May 31, 2021, the Company has issued the following warrants:

	Number of Warrants	Weighted Average Exercise Price
		\$
Outstanding, May 31, 2019	14,099,799	0.16
Issuance of private placements warrants	22,364,285	0.05
Issuance of finder's warrants	1,285,509	0.05
Exercise of warrants	-	-
Expiration of warrants	(2,289,500)	0.30
Outstanding and exercisable, May 31, 2020	35,460,093	0.06
Issuance of private placement warrants	7,705,000	0.15
Issuance of finder's warrants	318,400	0.01
Exercise of warrants	(24,050,274)	0.06
Expiration of warrants	(200,000)	0.08
Outstanding and exercisable, May 31, 2021	19,233,219	0.09

The following warrants were outstanding and exercisable at May 31, 2021:

Number of warrants	Exercise price	Expiry date	Remaining contractual life (in years)
6,603,819	\$0.05	April 27, 2022	0.91
4,606,000	\$0.05	May 5, 2022	0.93
6,623,400	\$0.15	November 9, 2022	1.44
1,400,000	\$0.15	March 24, 2023	1.81
19,233,219	\$0.09		1.16

7. PROMISSORY NOTES

During the year ended May 31, 2018, the Company advanced US\$127,206 in promissory notes to a company with a common officer. The notes are unsecured and bear interest at 1.5% per month until December 31, 2018. Interest rises to 2.5% per month on any unpaid balances after December 31, 2018. During the year ended May 31, 2019 the Company made additional advances of \$10,000 under the same terms. During the year ended May 31, 2021, the Company recorded interest income of \$Nil (2020: \$58,236) in connection with the promissory notes. As at May 31, 2020, the principal and accrued interest outstanding was \$292,110 which was written-down to \$Nil.

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8. RELATED PARTY BALANCES AND 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. 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.

The following related parties' amounts have been included in amounts receivable and accounts payable and accrued liabilities:

	2021	2020
	\$	\$
Amounts receivable	142,224	38,988
Accounts payable and accrued liabilities	1,103	31,522

The amounts are due to or advanced to companies controlled by directors of the Company. The amounts receivable, accounts payable and accrued liabilities are non-interest bearing, unsecured and are due upon demand.

Amounts receivable relate to amounts due from a public company having common directors with the Company relating to a cost-sharing arrangement whereby the Company is reimbursed for shared administrative and office expenses.

The Company had the following related party transactions:

	2021	2020
	\$	\$
Professional fees	60,000	81,900
Total	60,000	81,900

Professional fees are paid to companies controlled by the chief financial officer and a director of the Company.

During the year ended May 31, 2021, the Company recorded interest income of \$Nil (2020: \$58,236) from promissory notes receivable from a wholly owned subsidiary of a company with a common officer.

During the year ended May 31, 2020, the Company received \$50,000 from the repayment of a promissory note receivable from a company with directors in common to the Company.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the officers and directors of the Company. The remuneration of key management is as follows:

	2021	2020
	\$	\$
Share-based payments	135,953	-
Management fees	150,200	105,000
	286,153	219,524

Management services were provided by companies controlled by two directors of the Company.

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9. INCOME TAXES

The Company has losses carried forward of \$6,560,000 available to reduce income taxes in future years which expire between 2032 and 2041.

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2021	2020
Canadian statutory income tax rate	27%	27%
	\$	\$
Income tax recovery at statutory rate	671,588	256,592
Effect of income taxes of:		
Permanent differences and others	204,819	(32,600)
Change in deferred tax assets not recognized	(876,407)	(223,992)
Deferred income tax recoverable	-	-

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	2021	2020
	\$	\$
Non-capital loss carry-forwards	1,772,574	1,140,651
Exploration and evaluation assets	320,550	73,989
Share issuance costs	21,474	23,550
Equipment	454	454
Deferred tax assets not recognized	(2,115,052)	(1,238,644)
	-	-

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

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11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash, which is classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at May 31, 2021 are as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	\$	\$	\$	\$
Cash	274,111	-	-	274,111

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at May 31, 2021, because of the demand nature or short - term maturity of these instruments.

The following table summarizes the carrying value of the Company's financial instruments:

	2021	2020
	\$	\$
Cash (i)	274,111	301,749
Amounts receivable (ii)	142,224	38,988
Accounts payable (ii)	40,044	157,382

(i) FVTPL

(ii) Amortized cost

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

Financial risk management objectives and policies

The Company's financial instruments include cash, amounts receivable, promissory notes and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company is exposed to foreign currency risk related to cash payments, exploration expenditures and its promissory notes that are denominated in US dollars and Pesos. The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada. Management does not hedge its exposure to foreign exchange risk and the Company's net exposure is limited.

The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institution. The fair value interest rate risk on cash is insignificant due to their short - term nature.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist of cash. To minimize the credit risk, the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.