



MegumaGold Corp.

Consolidated Financial Statements

For the Years Ended March 31, 2021 and 2020



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MegumaGold Corp.

Opinion

We have audited the consolidated financial statements of MegumaGold Corp. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholder's equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *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 audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events and conditions that indicate the existence of a material uncertainty that may cast significant doubt on 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. The other information comprises the information included in Management's Discussion and Analysis.

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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, 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, 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.

Auditor's 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 auditor's 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 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.

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 Otto Ehinger.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

July 29, 2021

MEGUMAGOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
EXPRESSED IN CANADIAN DOLLARS

AS AT	March 31, 2021 \$	March 31, 2020 \$
Assets		
Current assets		
Cash (note 6)	1,202,799	1,023,103
Marketable securities (note 14)	93,971	289,035
GST receivable	29,236	49,882
Prepaid expenses	33,302	7,521
	1,359,308	1,369,541
Non-current assets		
Exploration and evaluation assets (notes 4, 5 and 6)	20,851,113	14,473,419
Total assets	22,210,421	15,842,960
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 7 and 11)	947,555	613,730
Flow through liability (note 12)	137,658	260,705
Total liabilities	1,085,213	874,435
Shareholders' equity		
Share capital (note 8)	49,720,731	34,855,391
Contributed surplus (note 8)	6,827,974	3,593,725
Deficit	(35,423,497)	(23,480,591)
Total shareholders' equity	21,125,208	14,968,525
Total liabilities and shareholders' equity	22,210,421	15,842,960

Nature of operations and going concern (note 1)
Commitment (note 12)
Subsequent events (note 16)

Approved on behalf of the Board on July 29, 2021:

"Theo van der Linde"

Director

"Fred Tejada"

Director

-See Accompanying Notes-

MEGUMAGOLD CORP
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
EXPRESSED IN CANADIAN DOLLARS

For the years ended	March 31, 2021	March 31, 2020
	\$	\$
EXPENSES		
Corporate development	89,741	605,538
Professional fees	191,397	219,866
General and administrative (<i>notes 9 and 11</i>)	46,156	164,875
Regulatory, transfer agent and filing fees	35,195	22,817
Management, consulting and director's fees (<i>note 11</i>)	356,773	371,815
Share based compensation (<i>notes 8 and 11</i>)	-	505,511
Foreign exchange gain	(226)	(3,772)
Interest expense (income)	56,538	(19,089)
	(775,574)	(1,867,561)
OTHER ITEMS		
Flow-through liability reversal (<i>note 12</i>)	123,047	482,896
Impairment (<i>note 4</i>)	(6,986,500)	(110,990)
Part XII.6 tax and penalties (<i>note 12</i>)	(126,232)	-
Loss on disposition of exploration and evaluation property (<i>note 4</i>)	(4,300,000)	-
Other income	4,980	-
Unrealized gain (loss) on investment (<i>note 14</i>)	19,922	(25,878)
Realized gain on sale of marketable securities (<i>note 14</i>)	97,451	216,274
Net and comprehensive loss for the year	(11,942,906)	(1,305,259)
Basic and diluted loss per share	(0.09)	(0.01)
Weighted average number of shares outstanding	135,225,044	96,875,845

MEGUMAGOLD CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
EXPRESSED IN CANADIAN DOLLARS

	Share capital #	Share capital \$	Contributed Surplus \$	Deficit \$	Total equity \$
Balance – March 31, 2019	96,530,640	33,974,141	3,088,214	(22,175,332)	14,887,023
Share based compensation	-	-	505,511	-	505,511
Shares issued for deposit (<i>note 8</i>)	6,000,000	840,000	-	-	840,000
Shares issued for option agreement (<i>note 8</i>)	250,000	41,250	-	-	41,250
Net and comprehensive loss	-	-	-	(1,305,259)	(1,305,259)
Balance – March 31, 2020	102,780,640	34,855,391	3,593,725	(23,480,591)	14,968,525
Shares issued for options exercised (<i>note 8</i>)	299,500	49,604	(20,654)	-	28,950
Shares issued for acquisition of Osprey (<i>notes 6 and 8</i>)	39,238,148	7,259,056	1,469,583	-	8,728,639
Shares issued for Canadian GoldCamps Corp. (<i>notes 6 and 8</i>)	82,966,803	8,296,680	1,785,320	-	10,082,000
Shares issued for exploration and evaluation properties (<i>notes 4 and 8</i>)	1,052,632	100,000	-	-	100,000
Share cancelled (<i>notes 4 and 8</i>)	(6,000,000)	(840,000)	-	-	(840,000)
Net and comprehensive loss	-	-	-	(11,942,906)	(11,942,906)
Balance – March 31, 2021	220,337,723	49,720,731	6,827,974	(35,423,497)	21,125,208

-See Accompanying Notes-

MEGUMAGOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
EXPRESSED IN CANADIAN DOLLARS

For the years ended	March 31, 2021 \$	March 31, 2020 \$
Cash flows used in operating activities		
Net loss and comprehensive loss for the year	(11,942,906)	(1,305,259)
Adjustments for items not involving cash:		
Realized gain on sale of marketable securities	(97,451)	(216,274)
Unrealized gain on marketable security	(19,922)	25,878
Flow-through liability reversal	(123,047)	(482,896)
Loss on disposition of evaluation and exploration properties	4,300,000	-
Share based compensation	-	505,511
Part XII.6 tax	126,232	-
Impairment of exploration and evaluation assets	6,986,500	110,990
Changes in non-cash working capital items:		
Change in other receivables	33,528	130,801
Change in prepaid expenses	(436)	58,265
Change in accounts payable and accrued liabilities	(99,228)	(966,708)
Net cash used in operating activities	(836,730)	(2,139,692)
Investing activities		
Exploration and evaluation assets	(900,550)	(1,132,270)
Cash acquired from Osprey transaction	176,540	-
Cash acquired from Canadian GoldCamps Corp.	1,325,000	-
Investment in marketable securities	-	(762,910)
Proceeds from disposition of investment	386,486	764,271
Net cash provided by (used in) investing activities	987,476	(1,130,909)
Financing activities		
Proceeds from options exercised	28,950	-
Net cash provided by financing activities	28,950	-
Change in cash	179,696	(3,270,601)
Cash, beginning	1,023,103	4,293,704
Cash, ending	1,202,799	1,023,103

-See Accompanying Notes-

MEGUMAGOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020
EXPRESSED IN CANADIAN DOLLARS EXCEPT WHERE OTHERWISE INDICATED

1. Nature of operations and going concern

MegumaGold Corp. (“the Company” or “MegumaGold”) was incorporated pursuant to the Business Corporation Act (British Columbia). The Company is a listed issuer on the Canadian Securities Exchange (“CSE”) under the symbol "NSAU", the Frankfurt Stock Exchange under the symbol FWB: 2CM and on the United States OTC stock market's OTC Pink, under the symbol NSAU. The Company's registered office is at 789 West Pender Street, Suite 810, Vancouver, British Columbia, V6C 1H2, Canada and its head office is located at Suite 2630-1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9, Canada.

The Company is engaged in the business of acquiring, exploring and developing natural resource properties, with a focus on precious metal properties located in Canada.

These consolidated financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Several material uncertainties lend significant doubt on the validity of this assumption. The Company has incurred losses since inception and has no current source of revenue. At March 31, 2021, the Company had a deficit of \$35,423,497 (2020 - \$23,480,591) and working capital of \$274,095 (2020 - \$495,106). Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to acquire resource property or business interests and develop profitable operations or a combination thereof, which is not assured given the volatile and uncertain financial markets. There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. These factors indicate that the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable 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. The impact on the Company's financial results, future financing, and access to the properties is not currently determinable but management continues to monitor the situation.

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies presented in Note 3 were consistently applied to all years presented.

The Board of Directors approved these consolidated financial statements on July 29, 2021.

Basis of measurement

These consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. In addition, these consolidated financial statements have been prepared on the historical-cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

MEGUMAGOLD CORP.
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2. Basis of presentation (Continued)

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Significant Subsidiaries (Consolidated) – Ownership

	Country of Incorporation	March 31, 2021	March 31, 2020
1156219 B.C. Ltd.	Canada	100%	100%
1156222 B.C. Ltd.	Canada	100%	100%
1161097 B.C. Ltd.	Canada	100%	100%
1267798 B.C. Ltd. (note 6)	Canada	100%	0%
Alibaba Graphite Inc. (note 6)	Canada	100%	0%
Osprey Gold Development Ltd. (note 6)	Canada	100%	0%
Crosby Gold Ltd	Canada	100%	0%

Functional and presentation currency

Items included in the consolidated financial statements of the Company and its subsidiary are measured using the currency of the primary economic environment in which the entity operates (the “Functional Currency”). The consolidated financial statements are presented in Canadian dollars, which is the Functional Currency of the Company and all its subsidiaries.

3. Significant Accounting Policies

3.1 Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments readily convertible into a known amount of cash and can be redeemed at any time without penalties.

3.2 Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine that technical feasibility and commercial viability do not exist, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant, and equipment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Significant Accounting Policies (Continued)

3.2 Exploration and evaluation assets (continued)

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

3.3 Impairment of non-financial assets

The Company's non-financial assets, such as exploration and evaluation assets, are reviewed for impairment whenever facts and circumstances indicate that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGUs"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized in the consolidated statement of loss and comprehensive loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

Non-financial assets that have been impaired in prior years are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior years. A reversal of an impairment loss is recognized in the consolidated statements of loss and comprehensive loss.

3.4 Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

<u>Financial assets/liabilities</u>	<u>Classification under IFRS 9</u>
Cash and cash equivalents	FVTPL
Marketable Securities	FVTPL
Warrants to purchase shares in Osprey Gold Development Ltd.	FVTPL
Accounts payable	Amortized cost

MEGUMAGOLD CORP.
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3. Significant Accounting Policies (Continued)

3.4 Financial instruments (continued)

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the year in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statements of loss and comprehensive loss. Other net gains and losses are recognized in Other Comprehensive Income (“OCI”). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

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3. Significant Accounting Policies (Continued)

3.4 Financial instruments (continued)

(iv) Derecognition (continued)

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

3.5 Provisions

Provisions for environmental restoration and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation as per management's best estimate using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a finance cost.

At each reporting date, the liability is increased to reflect the interest element or accretion reflected in its initial measurement, and will also be adjusted for changes in the estimate of the amount, timing, change in discount rate and cost of the work to be carried out.

3.6 Warrants

The Company makes certain estimates and assumptions when calculating the estimated fair value of warrants issued. The significant assumptions used include the estimate of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the value of the warrants issued.

3.7 Stock-based compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of 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 corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Significant Accounting Policies (Continued)

3.8 IFRS 16 – Leases

At the inception of a lease contract, the Company assesses whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assess whether: (i) the contract involves the use of an identified asset; (ii) the Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period, and; (iii) the Company has the right to direct the use of the asset. The Company did not have any leases as at or for the years ended March 31, 2021 and 2020.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration expense in the consolidated statement of loss and comprehensive loss. Short term leases are defined as leases with a lease term of 12 months or less.

3.9 Income taxes

Tax is recognized in the consolidated statements of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case, tax is also recognized in other comprehensive loss or directly in equity, respectively.

(i) Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute these amounts are those that are enacted or substantively enacted at the reporting date, in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax assets and current tax liabilities are offset if, and only if, the taxable entity has a legally enforceable right to set off the recognized amounts, the income taxes relate to the same taxable entity and the same taxation authority, and the Company intends to settle its current tax assets and liabilities on a net basis.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the date of the consolidated statements of financial position between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax assets and liabilities are recognized for all temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets and deferred tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity, and the Company intends to settle its current tax assets and liabilities on a net basis.

MEGUMAGOLD CORP.
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3. Significant Accounting Policies (Continued)

3.9 Income taxes (Continued)

(iii) Flow-through shares:

The Company has adopted a policy whereby proceeds from flow-through issuance are allocated between the offering of shares and the sale of tax benefits based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized for this difference and is extinguished by crediting settlement of flow-through share premium on renunciation to the tax authorities when the Company has made the required expenditures.

3.10 Loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. For all years presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. In calculating the diluted loss per share, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

3.11 Foreign currency translation of transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the date of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the Canadian dollar are translated using exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates on the dates of the initial transactions. Revenue and expense items are translated at the exchange rates in effect at the date of the underlying transaction, except for amortization related to non-monetary assets, which are translated at historical exchange rates. Exchange differences are recognized in the consolidated statements of loss and comprehensive loss in the year in which they arise.

3.12 Segmented Information

The Company's business consists of a single reportable segment being mineral exploration and development. As the operations comprise a single reporting segment, amounts disclosed in the consolidated statements of loss and comprehensive loss for the year also represents segment amounts. At March 31, 2021 and 2020, the Company's mineral properties are located in Canada.

3.13 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. 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.

MEGUMAGOLD CORP.
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3. Significant Accounting Policies (Continued)

3.14 Critical judgments and sources of estimation uncertainty

The preparation of these consolidated 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 consolidated 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.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- (ii) Management is required to assess impairment in respect of exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful, and some assets are likely to become impaired in future periods.

Business combination and asset acquisition

Judgment is required to determine if the Company's acquisition represented a business combination or an asset purchase. More specifically, management concluded that most of the Company's acquisitions did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. For acquisitions that represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that most of the acquisitions were asset acquisitions, an allocation of the purchase price to the individual identifiable assets acquired, including identifiable and unidentifiable intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

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3. Significant Accounting Policies (Continued)

3.14 Critical judgments and sources of estimation uncertainty (continued)

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- (i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- (ii) The assessment of any impairment of evaluation and exploration assets, and property and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets.
- (iii) The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of the subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's net loss and share-based payment reserve.
- (iv) The Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

Recent Accounting Pronouncements

As at the date of authorization of these financial statements, the IASB and the IFRS Interpretations Committee had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company, have been excluded. The Company had assessed that no material impact is expected upon the adoption of the following amendments on its consolidated financial statements:

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. Early application is permitted.

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3. Significant Accounting Policies (Continued)

3.14 Critical judgments and sources of estimation uncertainty (continued)

Recent Accounting Pronouncements (continued)

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”)

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

4. Exploration and evaluation assets

	Meguma Project \$	Cariboo Project, BC \$	Caribou SW Project, BC \$	Palladium Project \$	Osprey Projects \$	GoldCamps Project \$	Total \$
Balance, March 31, 2019	7,725,374	4,400,000	-	-	-	-	12,125,374
Acquisition costs	155,054	-	-	965,000	-	-	1,120,054
Exploration expenditures (note 5)	1,338,981	-	-	-	-	-	1,338,981
Impairment	(110,990)	-	-	-	-	-	(110,990)
Balance, March 31, 2020	9,108,419	4,400,000	-	965,000	-	-	14,473,419
Acquisition costs	179,000	-	5,000	-	475,000	-	659,000
Acquired assets (note 6)	-	-	-	-	8,991,643	8,757,000	17,748,643
Disposition of asset	-	(4,400,000)	-	-	-	-	(4,400,000)
Exploration expenditures (note 5)	392,149	-	-	-	10,640	-	402,789
Recoveries (note 5)	(61,238)	-	-	-	(20,000)	-	(81,238)
Impairment (note 6)	(2,386,134)	-	(1,251)	-	(2,209,320)	(2,389,795)	(6,986,500)
Termination	-	-	-	(965,000)	-	-	(965,000)
Balance, March 31, 2021	7,232,196	-	3,749	-	7,247,963	6,367,205	20,851,113

Meguma Project, Nova Scotia, Canada

On May 30, 2018, the Company closed the acquisition of 1156222 B.C. Ltd. (“115”) by way of a three-corner amalgamation with 1156219 B.C. Ltd, a wholly owned subsidiary of the Company. Under the terms of the definitive acquisition agreement (the “115 Agreement”), the Company acquired 100% of 115 and assumed all of its assets and underlying agreements, including mineral claims in Nova Scotia (“NS”). The Company issued 15.5 million shares at a fair value of \$3,875,000 to the shareholders of 115 to satisfy the terms of the 115 Agreement. The Company also issued 1.24 million shares in finder’s shares at a fair value of \$310,000. The Company paid \$5,766 in legal fees in connection with the acquisition and agreed to pay \$200,000 as a finder’s fee, which have been capitalized as acquisition costs.

Meguma Project – Asset Purchases

On March 24, 2020, the Company entered into an asset purchase and sale agreement. Under the terms of the Central Goldenville Asset Purchase and Sale Agreement (“Central Goldenville Agreement”), the Company acquired 100% interest of 203 mineral licenses in NS. As consideration, the Company paid \$2,500 in cash. The mineral licenses in the Central Goldenville Agreement are subject to a 2% royalty on gross revenue.

On March 24, 2020, the Company entered into an asset purchase and sale agreement. Under the terms of the Touquoy Regional Asset Purchase and Sale Agreement (“Touquoy Regional Agreement”), the Company acquired 100% interest of 477 mineral licenses in NS. As consideration, the Company paid \$5,500 in cash. The mineral licenses in the Touquoy Regional Agreement are subject to a 2% royalty on gross revenue.

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4. Exploration and evaluation assets (Continued)

Meguma Project – Asset Purchases (continued)

On February 24, 2021, the Company entered into an asset purchase and sale agreement. Under the terms of the Goldboro Regional Purchase and Sale Agreement, the company acquired 100% interest of 1,250 mineral claims in Nova Scotia. As consideration, the Company paid \$14,000 in cash.

Meguma Project – Plenty Zone South Option Agreement

On March 19, 2019, the Company entered into an Option Agreement (“Plenty Zone South” Property) to explore and develop licenses in NS. The Company obtained an option to earn 100% interest subject to a 2% NSR. The Company has the option to reduce the NSR to 1% with a payment of \$1,000,000. The drilling date (“Drilling Date”) is the date the Company commences drilling activity.

To earn 100% interest, the Company is committed to make the following payments and expenditures:

- (i) Cash payment of \$10,000 on the date that is six months after the Drilling Date (paid);
- (ii) Cash payment of \$20,000 on the 12-month anniversary of the Drilling Date (paid);
- (iii) Cash payment of \$30,000 on the 18-month anniversary of the Drilling Date (paid); and,
- (iv) Cash payment of \$100,000 on the 24- month anniversary date of the Drilling Date (paid subsequent to the year end).

Meguma Project – Killag Property Option Agreement

On August 10, 2018, the Company entered into an Option Agreement (“Killag Property”) to explore and develop three licenses located in NS. The Company obtained an option to earn 100% interest subject to a 2% NSR royalty. The Company has the option to reduce the NSR royalty to 1% with a payment of \$1,000,000. On August 7, 2020, the agreement was amended to reflect different payment terms for the remaining cash payments due, which is reflected below.

To earn 100% interest, the Company is committed to make the following payments and expenditures:

- Cash payment of \$7,500 within 10 business days of signing the Killag Property Option Agreement (paid);
- Cash payment of \$30,000 on or before the 12-month anniversary (paid);
- Cash payment of \$30,000 on or before the 18-month anniversary (paid); and,
- Cash payment of \$50,000 on or before October 9, 2020 (paid); and,
- Cash payment of \$65,000 on or before February 9, 2021 (paid).

Meguma Project - Higgins Property

On August 10, 2018, the Company entered into an Option Agreement (“Higgins Brook Property”) to explore and develop licenses located in NS. The Company obtained an option to earn 100% interest subject to a 2% Net Smelter Royalty (“NSR”). The Company has the option to reduce the NSR royalty to 1% with a payment of \$1,000,000.

To earn 100% interest, the Company is committed to make the following payments and expenditures:

- Cash payment of \$30,000 within 10 business days of signing the Higgins Brook Property Option Agreement; (paid)
- Cash payment of \$30,000 on or before the 12-month anniversary (paid);
- Cash payment of \$40,000 on or before the 18-month anniversary; and,
- Cash payment of \$100,000 on or before the 24-month anniversary.

On February 6, 2020, the option agreement with respect to Higgins Brook Property was terminated. The Company will not make any further payments pursuant to the option agreement. An impairment loss of \$60,000 was recognized during the year ended March 31, 2020.

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4. Exploration and evaluation assets (Continued)

Meguma Project – Nova Scotia Option Agreement

On September 11, 2018, the Company entered into an option agreement (“NS Option Agreement”) to explore and develop licenses located in NS. The Company obtained an option to earn 100% interest subject to a 2% NSR. The Company has the option to reduce the NSR royalty to 1% with a payment of \$1,000,000.

To earn 100% interest, the Company is committed to make the following payments and expenditures:

- Cash payment of \$5,000 within 14 business days of signing the NS Option Agreement; (paid)
- Cash payment of \$15,000 on or before the 12-month anniversary;
- Cash payment of \$20,000 on or before the 18-month anniversary; and,
- Cash payment of \$100,000 on or before the 24-month anniversary.

During the year ended March 31, 2020, the existing option agreement was terminated. The Company will not make any further payments pursuant to the option agreement. An impairment loss of \$5,000 was recognized during the year ended March 31, 2020.

Meguma Project – Genius Option Agreement

On December 4, 2019, the Company entered into an option agreement (“Genius Option Agreement”) to explore and develop licenses 6 licenses covering 1,620 hectares in NS (“Property”). The Genius Option Agreement allows the Company to earn up to a 70% interest in 6 mining exploration licenses by satisfying the following conditions:

- Issue 250,000 common shares within 10 business days of signing the Genius Option Agreement (issued (note 8) with a fair value of \$41,250;
- Earn 49.9% interest upon incurring \$100,000 in exploration work consisting of ground surveys and pre-drilling target work on or before the 18-month anniversary (completed subsequent to the year end);
- Earn 20.1% interest upon incurring \$150,000 in exploration work, including a diamond drilling program on or before the 30-month anniversary.

Upon exercising the Genius Option Agreement in its entirety and earning 70% of the Property, Genius will have the option to convert the remaining 30% interest in the Property, into a 2% NSR.

During the year ended March 31, 2021, the Company recorded an aggregate impairment on the Meguma project of \$2,386,134 as a result of assessed market value of the property.

During the year ended March 31, 2020, in addition to the impairments recorded for Higgis Brook Property and Nova Socita Option Agreement, the Company recorded further \$45,990 for the SW Meguma Agreement dated August 14, 2018 and Ecum Secum Option Agreement dated May 8, 2019.

Osprey Projects - Goldenville Project, Nova Scotia, Canada

On September 14, 2020, the Company closed the acquisition of Osprey Gold Development Ltd. (“Osprey”) (Note 6). Under the terms of the definitive acquisition agreement (the “Osprey Agreement”), the Company acquired 100% of Osprey and assumed all of its assets and underlying agreements, including all mineral claims in NS. The Company issued 36,671,166 common shares at a fair value of \$6,784,166, issued 11,158,377 warrants at a fair value of \$1,163,851 and issued 2,382,500 options at a fair value of \$305,732 to the shareholders of Osprey to satisfy the terms of the Osprey Agreement. The Company also issued 2,566,982 shares for a total fair value of \$474,890 in relation to the finder’s fee (Note 6).

The Company acquired several mineral properties and option agreements through the asset acquisition with Osprey (Note 6). The following lists the acquired mineral properties:

The Company has an option to acquire a 100% interest in the Goldenville gold property (the “Goldenville Project”), along with three other gold properties, located in NS (the “Goldenville Agreement”).

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4. Exploration and evaluation assets (continued)

Osprey Projects - Goldenville Project, Nova Scotia, Canada (continued)

Pursuant to the Goldenville Agreement and subsequent amendments, in order to complete the acquisition of the Goldenville Project, the Company must make additional payments totaling \$850,000 to the Goldenville Optionor over a period of three years as follows:

- \$125,000 in cash on or before October 14, 2017 (paid);
- \$125,000 in cash on or before February 14, 2018 (paid);
- Pursuant to an amendment dated April 30, 2019, \$50,000 in cash (paid) and \$75,000 in common shares (issued);
- \$75,000 in cash (paid March 2020) and \$100,000 in common shares (issued) on or before March 14, 2020; and
- \$100,000 in cash on March 24, 2021 (paid), \$100,000 in common shares (issued, note 8) and \$100,000 in cash on or before April 24, 2021 (paid on March 14, 2020).

Under the terms of the option agreement, the Company has granted the Goldenville Optionor gross metal royalties (“GMR”) payable upon commencement of commercial production of the optioned properties in the following amounts:

- 2% payable on the Goldenville Property;
- 2% payable on the Lower Seal Harbour (“LSH”) property;
- 1.5% on the Gold Lake property; and
- 1.5% on the Miller Lake property.

The Company has the right to repurchase up to 75% of the GMR on the Gold Lake and Miller Lake properties, and up to 50% of the GMR on the Goldenville and LSH properties for aggregate consideration of \$1,725,000, payable in cash, or, upon agreement of the Company and the Goldenville Optionor, through the issuance of common shares of the Company at a price per share equal to fair market value.

On February 27, 2019, the Company entered into an option agreement (the “LSH Agreement”) with Orex Exploration Inc. (“Orex”), a wholly-owned subsidiary of Anaconda Mining Inc. (“Anaconda”), whereby Orex may acquire a 100% interest in the LSH property in exchange for aggregate cash payments of \$85,000, aggregate share issuances of \$85,000, and aggregate qualifying exploration expenditures of \$150,000 as follows:

- \$17,500 cash and \$17,500 in common shares of Anaconda (received);
- \$7,500 cash and \$7,500 in common shares of Anaconda on or before October 20, 2019 (received);
- \$25,000 in qualifying exploration expenditures on or before the first anniversary of the LSH Agreement⁽¹⁾;
- \$20,000 cash (received), \$20,000 in common shares of Anaconda (received), and \$50,000 in qualifying exploration expenditures on or before the second anniversary of the LSH Agreement (completed);
- \$40,000 cash and \$40,000 in common shares of Anaconda on or before the third anniversary of the LSH agreement;
- \$75,000 in qualifying exploration expenditures on or before the fourth anniversary of the LSH Agreement.

⁽¹⁾In May 2020, prior to the acquisition, the Company received \$10,000 to provide a 60-day extension with respect to the qualifying exploration expenditures due for completion on or before the first anniversary of the LSH Agreement. Orex has since completed their obligations under this expenditure commitment.

In connection with the LSH agreement, the Company has received 93,188 common shares of Anaconda with a fair value of \$54,049 (Notes 6 and 14). Anaconda is a Canadian listed company.

Upon completing the requirements and exercising the option pursuant to the LSH Agreement, Orex will assume the Company’s obligations with respect to the 2% GMR payable to the Goldenville Optionor on the LSH property.

During the year ended March 31, 2021, the Company recorded an impairment on the Goldenville project of \$2,056,981 as a result of assessed market value of the property.

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4. Exploration and evaluation assets (continued)

Osprey Projects - Caribou Project, NS, Canada

In connection with the acquisition of Osprey, the Company entered into an option agreement (the “Caribou Agreement”) on August 15, 2017, subsequently amended in August 2018 and August 2020, to acquire a 100% interest in the 16 contiguous mining claims located in NS. In order to exercise the option and acquire the Caribou property, the Company must complete over a period of three years the following payments:

- \$500,000 in cash and issued 100,000 common shares valued at \$20,000 (paid);
- \$100,000 on or before February 15, 2020 (paid);
- \$100,000 in cash on or before December 31, 2020 (paid);
- \$100,000 in cash on or before February 15, 2021 (paid);
- \$100,000 in cash on or before August 15, 2021; and
- Incur minimum work expenditures of \$300,000 on or before August 15, 2021.

Under the terms of the option agreement, the Company has granted the Caribou Optionor a 3% net smelter return royalty (“NSR”) payable upon commencement of commercial production. The Company retains the right to repurchase up to 1% of the NSR for \$500,000, and an additional 1% for an additional \$750,000.

During the year ended March 31, 2021, the Company recorded an impairment on the Caribou project of \$152,339 as a result of assessed market value of the property.

Osprey Projects - Leipsigate Project, NS, Canada

The Company staked a group of claims in NS, collectively known as the Leipsigate property.

Cariboo Project, BC, Canada

On May 16, 2018, the Company closed the acquisition of 1161097 B.C. Ltd. (“116”) by way of a three-corner amalgamation with 1156219 B.C. Ltd, a wholly owned subsidiary of the Company. Under the terms of the definitive acquisition agreement (the “116 Agreement”), the Company acquired 100% of 116 and assumed all of its existing assets and underlying agreements at present, including:

- 100% ownership of the Cariboo Gold Project;
- 100% ownership of the Lac La Hache Gold Project; and
- 100% ownership of the Pinto Gold Project.

The Company issued 17,500,000 shares with a fair value of \$4,375,000 and paid a total of \$25,000 in cash to the shareholders of 116 to satisfy the terms of the 116 Agreement.

On January 13, 2021, the Company entered into a Share Purchase Agreement with an arm’s length party to settle certain debts of \$100,000 in exchange for the assets held in 1161097 B.C. Ltd. As a result of the transaction, the Company recorded a loss on disposition of exploration and evaluation assets of \$4,300,000.

Caribou SW Project, BC, Canada.

On September 4, 2020, the Company purchased 100% interest in mineral licenses by way of a purchase and sale agreement (“Caribou SW Agreement”). Under the terms of the Caribou SW Agreement, the Company acquired mineral licenses in south-west Caribou. As consideration, the Company paid \$5,000 in cash. The mineral licenses in the Caribou SW Agreement are subject to a two percent royalty on gross revenue.

During the year ended March 31, 2021, the Company recorded an impairment on the Cariboo project of \$1,251 as a result of assessed market value of the property.

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4. Exploration and evaluation assets (continued)

Palladium Project

On March 10, 2020, the Company agreed to acquire 5 mineral claims for total of 3067 hectares, located in the Similkameen mining division, British Columbia, which hosts the potential for palladium and platinum (“Palladium Project”). The claims will be acquired from arm’s length vendors in consideration of the sum of \$125,000, and 6,000,000 common shares (issued) (note 8).

As at March 31, 2021, the Company terminated the Palladium Project and total consideration of the sum of \$125,000 have been cancelled and the 6,000,000 common shares have been returned to treasury (note 8). Total carrying value of \$965,000 was recorded against account payable of \$125,000 and \$840,000 against share capital during the year ended March 31, 2021 (note 8).

5. Exploration and evaluation activity

The following table provides a breakdown of exploration and evaluation activities for the year ended March 31, 2021 (note 4):

	Meguma Project \$	Osprey Project \$	Leipsigat Project \$	Total \$
Assaying and others	1,193	-	-	443
Drilling	39,000	-	-	39,000
Geological consultants	351,101	10,640	855	362,596
As at March 31, 2021	391,294	10,640	855	402,789

During the year ended March 31, 2021, the Company received a tax refund of \$61,238 and a recovery of \$20,000 as relating to the LSH Agreement (note 4).

The following table provides a breakdown of exploration and evaluation activity of the Meguma Project during the year ended March 31, 2020 (note 4):

	Meguma Project \$
Assaying and others	180,600
Supplies	91,194
Drilling	172,838
Geological consultants	37,038
Geological surveying	857,311
As at March 31, 2020	1,338,981

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6. Acquisitions

Osprey Gold Development Ltd.

On September 14, 2020, the Company completed plan of arrangement (the “Arrangement”) acquiring all of the issued and outstanding common shares of Osprey. Osprey is a Canadian exploration company focused on exploring five gold properties in Nova Scotia’s largest historic gold district. Osprey’s exploration licenses are located contiguous with the Meguma project (note 4).

This transaction has been accounted for as an asset acquisition by the Company, as Osprey did not have inputs, processes and outputs in place that constituted a business under IFRS 3.

The following table provides a breakdown of the transaction:

Consideration paid	\$
Shares issued (<i>notes 4 and 8</i>)	6,784,166
Warrants issued (<i>notes 4 and 8</i>)	1,163,851
Options issued (<i>notes 4 and 8</i>)	305,732
Finder’s shares (<i>notes 4 and 8</i>)	474,890
	<u>8,728,639</u>
Net assets acquired	\$
Cash	176,540
Marketable securities (<i>note 14</i>)	54,049
GST recoverable	12,880
Prepays	25,345
Mineral property interests	8,991,643
Accounts payable and accruals	(381,820)
Loan payable	(150,000)
Total net assets acquired	<u>8,728,639</u>

Canadian GoldCamps Corp.

On January 29, 2021, and amended on March 16, 2021, the Company entered into a Definitive Agreement with Canadian GoldCamps Corp. (“GoldCamps”) whereby the Company purchased substantially all of the assets of Gold Camps pursuant to the terms of the agreement. The assets consist of \$1,325,000 cash and 100% interest in the following properties:

- The Newfoundland Gold Belt Licenses consists of seven mineral licenses, comprising 3,025 acres adjacent to, and surrounding the western border of New Found Gold Corp’s Queensway Project in the Province of Newfoundland and Labrador, Canada
- thirteen mineral claims referred to as the Elmtree and Alcida Gold Claims covering approximately 7,000 acres in New Brunswick, Canada held by 1267798 B.C. Ltd. (“1267798”) by the acquisition of 100% of the common shares of 1267798.

Additionally, the Company acquired 100% of the common shares of Alibaba Graphite Inc., an inactive wholly owned subsidiary of GoldCamps.

The sale price for GoldCamps’ assets was comprised of 1.1 (the “Exchange Ratio”) shares of the Company for each one 1 issued and outstanding share of GoldCamp as of November 16, 2020. In addition, all outstanding options and warrants of GoldCamps that have not been duly exercised prior to the closing of the Proposed Transaction were be exchanged for options and warrants, as the case may be, of Meguma Gold, after giving effect to the Exchange Ratio and otherwise on the same terms and conditions as were applicable to such options and warrants immediately before the Closing Date of transaction.

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6. Acquisitions (Continued)

Canadian GoldCamps Corp. (continued)

The purchase price of GoldCamps' assets was comprised of 82,966,803 common shares of the Company issued on January 29, 2021 (the "Closing Date") for a fair value of \$8,296,680 (note 8). In addition, all outstanding options and warrants of GoldCamps that have not been duly exercised prior to the Closing Date was exchanged for options and warrants of the Company equal to the Exchange Ratio. The Company granted 6,245,800 options of the Company to GoldCamps optionholders in exchange for 5,678,000 GoldCamps options with a fair value of \$392,749 and 24,058,575 warrants of the Company to GoldCamps warrantholders in exchange for 21,871,432 GoldCamps warrants with a fair value of \$1,392,571 (note 8). The total consideration paid was \$10,082,000.

This transaction has been accounted for as an asset acquisition by the Company, as GoldCamps did not have processes and outputs in place that constituted a business under IFRS 3.

The following table provides a breakdown of the transaction:

Consideration paid	\$
Shares issued (note 8)	8,296,680
GoldCamps Warrants assumed (note 8)	1,392,571
GoldCamps Options assumed (note 8)	392,749
	10,082,000
Net assets acquired	\$
Shares of Alibaba Graphite Inc.	-
Newfoundland Gold Belt Licenses	-
Shares of 1267798 B.C. Ltd.	-
Cash	1,325,000
Exploration and evaluation assets (note 4)	8,757,000
Total net assets acquired	10,082,000

During the year ended March 31, 2021, the Company recorded an aggregate impairment on the exploration and evaluation assets of \$2,389,795 as a result of assessed market value of the property (note 4).

7. Accounts payable and accrued liabilities

	March 31, 2021	March 31, 2020
	\$	\$
Accounts payable (note 11)	632,818	274,611
Accrued liabilities (note 11)	314,738	339,119
	947,555	613,730

All payables are unsecured, non-interest bearing, incurred in the normal course of the Company's business operations and are within the credit terms of each relevant supplier or service provider.

8 Share capital and reserves

Authorized share capital

Unlimited common shares without nominal or par value.

Issued share capital

As at March 31, 2021, the Company had 220,337,723 (March 31, 2020: 102,780,640) issued common shares.

During the year ended March 31, 2021, the Company completed the following issuances:

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8. Share capital and reserves (continued)

Issued share capital (continued)

During the year ended March 31, 2021, 299,500 options were exercised at prices ranging from \$0.08 to \$0.10 per share for proceeds of \$28,950. Pursuant to these option exercises, the Company reclassified \$20,654 from reserves to share capital.

During the year ended March 31, 2021, the Company issued 36,671,166 common shares at \$0.185 per share for a total fair value of \$6,784,166 pursuant to the Osprey acquisition, and 82,966,803 shares at \$0.10 per share for a total fair value of \$8,296,680 pursuant to the GoldCamps acquisition. The Company also issued 2,566,982 shares for a total value of \$474,890 in relation to the finder's fee. The Company also issued warrants of 11,158,377 with a fair value of \$1,163,851 and 2,382,500 options with a fair value of \$305,732 in relation to the Osprey acquisition (note 6) and warrants of 24,058,575 with a fair value of \$1,392,571 and 6,245,800 options with a fair value of \$392,749 in relation to the GoldCamps acquisition (note 6).

During the year ended March 31, 2021, the Company issued 1,052,632 shares at \$0.095 per share for a total fair value of \$100,000 pursuant to an acquisition for the Goldenville Project (note 4).

During the year ended March 31, 2021, upon termination of Palladium acquisition, total of 6,000,000 common shares valued at \$840,000 and issued pursuant to the Palladium mineral claims acquisition have been returned to treasury (note 4).

During the year ended March 31, 2020, the Company completed the following issuances:

On December 9, 2019, the Company issued 250,000 common shares at \$0.165 per share for a total fair value of \$41,250 pursuant to the Genius Option Agreement (note 4).

On March 10, 2020, the Company issued 6,000,000 common shares at \$0.14 per share for a total fair value of \$840,000 pursuant to the Palladium mineral claims acquisition (note 4).

Warrants

Warrant transactions outstanding and exercisable for the year ended March 31, 2021 were as follows:

	Number of Warrants #	Weighted average exercise price \$
Balance, March 31, 2019	23,331,006	0.18
Expired	(1,616,000)	(0.35)
Balance, March 31, 2020	21,715,006	0.16
Issued	35,216,952	0.23
Expired	(10,159,450)	(0.50)
Balance, March 31, 2021	46,772,508	0.21

The remaining contractual life for the warrants outstanding was 1.26 years (March 31, 2020 – 0.90 years).

Expiry Date	Exercise Price \$	Number of Warrants #
June 30, 2021	0.24	37,502
August 13, 2021	0.15	10,853,000
November 23, 2021*	0.13	11,555,556
December 30, 2021	0.24	267,875
July 9, 2023	0.27	24,058,575
		46,772,508

* The Company extended the life of 11,555,556 warrants with an exercise price of \$0.13 originally expiring on November 23, 2019 for two years to November 23, 2021.

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8. Share capital and reserves (continued)

Warrants (continued)

The Company issued 11,158,377 warrants in relation to the Osprey acquisition (note 4). The warrants have exercise prices between \$0.15 and \$0.24 and expire between 0.79 and 1.29 years. The warrant fair value was determined using a Black Scholes Option Pricing Model to be \$1,163,851 with the following inputs: stock price - \$0.185; exercise price - \$0.15 - \$0.24; expected life - 0.79 - 1.29 years; volatility - 132% - 148%; and risk-free rate - 0.26%.

The Company issued 24,058,575 warrants in relation to the GoldCamps acquisition (note 6) as consideration for the transaction. The Company assumed 21,871,432 warrants of GoldCamps at the Exchange Ratio. The warrants have an exercise price of \$0.273 and expire in 2.44 years. The warrant fair value was determined using a Black Scholes Option Pricing Model to be \$1,392,571 with the following inputs: stock price - \$0.10; exercise price - \$0.273; expected life - 2.44 years; volatility - 141%; and risk-free rate - 0.14%.

Options

The Company has an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares. The Company can grant up to 10% of the Company's issued and outstanding share capital on a rolling basis. Such options will be exercisable for a period of up to four years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant.

The following table summarizes the changes in the outstanding stock options:

	Number of options #	Weighted average exercise price \$
Balance - March 31, 2018 and March 31, 2019	2,749,500	0.17
Issued	6,900,000	0.08
Balance - March 31, 2020	9,649,500	0.10
Granted	8,628,300	0.29
Exercised	(299,500)	0.10
Expired	(115,000)	0.09
Balance - March 31, 2021	17,863,300	0.19

The expiry and exercise prices of stock options outstanding and exercisable as at March 31, 2021 is as follows:

Expiry Date	Number of options outstanding and exercisable	
	Exercise Price \$	#
January 25, 2022	0.60	662,500
March 9, 2023	0.17	2,500,000
May 1, 2023	0.18	820,000
June 13, 2024	0.16	200,000
August 28, 2024	0.08	5,950,000
October 11, 2024	0.09	585,000
November 14, 2024	0.10	900,000
August 12, 2025	0.295	4,397,800
		16,015,300

The weighted average life of outstanding options is 2.70 years (March 31, 2020 - 3.93 years).

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8. Share capital and reserves (continued)

Options (continued)

The Company issued 2,382,500 options in relation to the Osprey acquisition (note 6). The options have exercise prices between \$0.10 and \$0.60 and expires between 1.36 and 4.17. The option fair value was determined using a Black Scholes Option Pricing Model to be \$305,732 with the following inputs: stock price - \$0.185; exercise price - \$0.24; expected life - 1.36 - 4.17 years; volatility - 138% - 148%; and risk-free rate - 0.26%. All of the options vest immediately.

The Company issued 6,245,800 options in relation to the GoldCamps acquisition (note 6) as consideration for the transaction. The Company assumed 5,678,000 options of GoldCamps at the Exchange Ratio. The options have an exercise price of \$0.295 and expire in 4.00 to 4.54 years. The option fair value was determined using a Black Scholes Option Pricing Model to be \$392,749 with the following inputs: stock price - \$0.10; exercise price - \$0.295; expected life - 4.00 to 4.54 years; volatility - 135%; and risk-free rate - 0.14% to 0.34%. Of the options issued, 4,397,800 vest immediately, and 1,848,000 will vest 100% on August 21, 2021.

On June 13, 2019, the Company granted 200,000 stock options to an arm's length consultant. The options vest 50% immediately and 50% on September 13, 2019, with an exercise price of \$0.16 for a period of five years. The stock option fair value was determined using a Black Scholes Option Pricing Model to be \$26,261 with the following inputs: stock price - \$0.14; exercise price - \$0.16; expected life - 5 years; volatility - 168%; and risk-free rate - 1.35%.

On August 28, 2019, the Company granted 6,000,000 stock options to arm's length consultants. The options vested immediately, with an exercise price of \$0.08 for a period of five years. The stock option fair value was determined using a Black Scholes Option Pricing Model to be \$420,362 with the following inputs: stock price - \$0.075; exercise price - \$0.08; expected life - 5 years; volatility - 167%; and risk-free rate - 1.23%.

On October 11, 2019, the Company granted 700,000 stock options to directors, officers and consultants. The options vested immediately, with an exercise price of \$0.09 for a period of five years. The stock option fair value was determined using a Black Scholes Option Pricing Model to be \$58,888 with the following inputs: stock price - \$0.09; exercise price - \$0.09; expected life - 5 years; volatility - 163%; and risk-free rate - 1.55%.

Contributed Surplus

Share-based payment reserve records the stock-based compensation expenses and warrant payments for services. At the time that stock options and warrants are exercised, the corresponding amount will be transferred to share capital.

9. Expenses by nature

General and administrative expenses by nature consist of the following:

<i>For the year ended</i>	March 31, 2021	March 31, 2020
	\$	\$
Office expenses	2,765	112,151
Exploration & evaluation	2,175	-
Travel	-	15,596
Insurance	14,174	9,500
Other administrative expenses	27,042	27,628
	46,156	164,875

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10. Financial instruments and risks

The Company's financial instruments consist of cash, market securities and accounts payable.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of hierarchy are:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments classified as level 1 – quoted prices in active markets include cash and market securities.

Financial instruments classified as level 3 – Techniques which use inputs that have a significant effect on the recorded fair value, include warrants to purchase shares in Osprey Gold Developments Ltd. Management has considered various valuation techniques for the warrants including the Black Scholes Option Pricing Model and the intrinsic approach. Management has determined the fair value of the warrants to be \$nil based on the intrinsic value approach, because the warrant exercise price is more than the current market price and accordingly the warrants are out of the money.

The fair value of the accounts payable approximates to their carrying value due to their short-term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk includes cash and other receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. Other receivable represents GST/HST due from the Canadian government. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets. The Company has assessed credit risk as low.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient liquidity to meet its financial obligations as they come due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company cautions that there are no cash flows from operations. The Company believes that its current cash holdings is adequate to meet its anticipated short-term obligations.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. As at March 31, 2021, the Company had a cash balance of \$1,202,799 (March 31, 2020 - \$1,023,103) to settle current liabilities of \$1,085,213 (March 31, 2020 - \$874,435).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign currency and price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company has no material exposure at March 31, 2021 to interest rate risk through its financial instruments.

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10. Financial instruments and risks (Continued)

Market risk (Continued)

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not have any financial instruments denominated in a foreign currency. Foreign currency risk is assessed as low.

(iii) Price risk

The Company's exposure to price risk with respect to commodity and equity prices is minimal due to the fact that the Company is still in the exploration stage with no earnings. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company when warranted. The Company has assessed price risk as low.

11. Related party transactions

The Company incurred the following related party transactions, with associated persons or corporations, which were measured at the exchange amount as follows:

Key management includes directors, executive officers and officers which constitutes the management team. The Company paid or accrued compensation in form of consulting fees to companies controlled by directors, executive officers and officers as follows:

	March 31, 2021	March 31, 2020
For the year ended	\$	\$
Consulting fees accrued or paid to companies controlled by the President	72,000	162,000
Consulting fees accrued or paid to a company controlled by the CFO	60,000	60,000
Professional fees accrued or paid to a company controlled by the President	104,550	-
Consulting fees accrued or paid to a company controlled by the CEO	156,825	161,130
Consulting fees accrued or paid to a company controlled by the directors	46,750	-
Stock-based compensation incurred related to options granted to directors	-	54,675
Rent fees accrued or paid to a company jointly controlled by the President	6,000	6,000
	446,125	443,805

As at March 31, 2021, total amounts payable to directors and companies owned by directors in accounts payable and accrued liabilities were \$308,674 (March 31, 2020 - \$270,064) (note 7). The balances due to related parties are interest free, due to demand and are unsecured.

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12. Flow-through liability and Commitment

For the purposes of calculation any premium related to the issuance of the flow-through shares, the Company compared the market price of its shares to the subscription price of flow-through shares to determine if there was a premium paid on the flow-through shares. As a result, the Company's flow-through liability on issuance of flow through shares in connection with private placements is as follows:

	March 31, 2021	March 31, 2020
	\$	\$
Balance, beginning of the year	260,705	743,601
Reversal	(123,047)	(482,896)
Balance, end of the year	137,658	260,705

During the year ended March 31, 2021, the Company recorded Part XII.6 tax of \$126,232 (2020: \$nil) and is committed for incur further eligible exploration expenditures of \$438,715.

13. 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 suitable business opportunities and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage and has not achieved commercial operations from its projects, its principal source of funds is from the issuance of common shares. Further information relating to liquidity risk is disclosed in note 10.

In the management of capital, the Company includes the components of Shareholders' equity. 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, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and investments.

In order to facilitate the management of its capital requirements, the Company prepares monthly and annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company is uncertain as to whether its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period and, accordingly, management is reviewing the timing and scope of current exploration plans and is also pursuing other financing alternatives to fund the Company's operations. The Company is not subject to externally imposed capital requirements. There are no changes in the Company's approach to capital management. The Company is not subject to restrictions.

14. Marketable securities

During the year ended March 31, 2020, the Company purchased 17,600,000 common shares and 13,100,000 warrants from Osprey, for \$862,910. During the year ended March 31, 2020, the Company sold 11,177,000 common shares for gross proceeds of \$764,271 and recognized a realized gain on sale of marketable securities of \$216,274. At March 31, 2020, the fair value of the remaining shares and warrants were \$289,035. During the year ended March 31, 2021, the Company sold the remaining common shares for proceeds of \$386,486 and recognized a realized gain on marketable securities of \$97,451.

The Company initially recorded the 13,100,000 share purchase warrants ("Osprey Warrants") at a \$nil fair value. During the year ended March 31, 2021, the Company disposed of 13,100,000 Osprey Warrants through private transactions with two arm's-length parties for \$nil proceed.

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14. Marketable securities (continued)

In connection with the acquisition of Osprey, the Company acquired 93,188 common shares of Anaconda and further received 28,853 common shares of Anaconda pursuant to LSH Agreement (note 4). Total cost of these common shares is \$74,049 and the fair value is \$93,971 as at March 31, 2021 (Note 6). During the year ended March 31, 2021, the Company recorded an unrealized gain on investment of \$19,922.

15. Income taxes

A reconciliation of taxes at statutory tax rates with the reported taxes is as follows:

	March 31, 2021	March 31, 2020
	\$	\$
Loss before income taxes	(11,942,906)	(1,305,259)
Corporate tax rate	27%	27%
Expected tax recovery at statutory tax rates	(3,224,585)	(352,420)
Non-deductible items and other items	528,724	(114,490)
Flow through expenditures	264,749	-
Tax losses acquired via acquisitions	(892,002)	-
Change in valuation allowance	3,323,114	466,910
	-	-

The significant components of the Company's deferred tax assets are as follows:

	March 31, 2021	March 31, 2020
	\$	\$
Property and equipment	-	232
Share issuance costs	48,315	41,347
Capital losses available for future period	1,506,752	925,203
Exploration properties	1,819,719	-
Non-capital losses available for future period	3,194,971	2,279,861
	6,569,757	3,246,643
Valuation allowance	(6,569,757)	(3,246,643)
Net deferred tax assets	-	-

The non-capital losses expire from 2027 through 2041. The capital losses have no expiry.

16. Subsequent events

The Company paid \$100,000 cash for the acquisition of the Plenty Zone South Property and completed \$100,000 exploration work for Genius Option Agreement.