

**GOLD STATE RESOURCES INC.
(FORMERLY CYON EXPLORATION LTD.)**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE TO READER

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

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”), consistent with International Financial Reporting Standards (“IFRS”) appropriate in the circumstances.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

GOLD STATE RESOURCES INC. (FORMERLY CYON EXPLORATION LTD.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)
AS AT

| | December 31, 2021 | March 31, 2021 |
|--|----------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 3,766 | \$ 131,840 |
| Receivables | 23,657 | 272,023 |
| Prepays | 20,418 | 218,483 |
| | <u>47,841</u> | <u>622,346</u> |
| Exploration and evaluation assets (Note 6) | 9,224,628 | 4,828,204 |
| Reclamation deposit (Note 6) | 22,474 | 22,474 |
| | <u>\$ 9,294,943</u> | <u>\$ 5,473,024</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY) | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 9 and 10) | \$ 351,616 | \$ 457,929 |
| Loan payable (Note 7 and 9) | 281,895 | - |
| | <u>633,511</u> | <u>457,929</u> |
| Shareholders' equity (deficiency) | | |
| Share capital (Note 9) | 15,936,165 | 11,704,590 |
| Contributed surplus (Note 9) | 934,262 | 934,262 |
| Share-based payments reserve (Note 9) | 956,955 | 956,955 |
| Subscriptions received in advance (Note 9) | - | 75,000 |
| Deficit | (9,165,950) | (8,655,712) |
| | <u>8,661,432</u> | <u>5,015,095</u> |
| | <u>\$ 9,294,943</u> | <u>\$ 5,473,024</u> |

Nature and continuance of operations (Note 1)
Subsequent events (Note 11)

Approved on behalf of the Board:

"Brian Thurston"
Director –

"Michael Hopkinson"
Director –

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

GOLD STATE RESOURCES INC. (FORMERLY CYON EXPLORATION LTD.)
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

| | Three months ended December 31, | | Nine months ended December 31, | |
|---|------------------------------------|-----------------------|-----------------------------------|-----------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Expenses | | | | |
| Accounting and audit <i>(Note 10)</i> | \$ 11,071 | \$ 35,671 | \$ 58,264 | \$ 100,190 |
| Consulting | 18,467 | 124,049 | 30,457 | 239,669 |
| Exploration and evaluation <i>(Note 6)</i> | 10,000 | - | 10,000 | - |
| Financing expense <i>(Note 7)</i> | - | - | - | 4,675 |
| Legal | 41,389 | 107,083 | 41,389 | 107,083 |
| Management fees <i>(Note 10)</i> | 35,000 | 30,000 | 112,588 | 90,000 |
| Marketing | - | - | 99,688 | - |
| Office operations | 3,628 | 21,346 | 15,508 | 33,773 |
| Regulatory | 9,778 | 58,251 | 22,942 | 58,251 |
| Share based compensation <i>(Note 10)</i> | - | 857,800 | - | 857,800 |
| Shareholder communication | 11,397 | 44,749 | 111,749 | 45,224 |
| Transfer agent | - | (35,505) | 5,210 | 6,273 |
| Travel | - | 62,563 | - | 98,290 |
| | (140,730) | (1,306,007) | (507,795) | (1,641,228) |
| Foreign exchange gain (loss) | (1,624) | (6,007) | (2,443) | 18,912 |
| Comprehensive loss for the period | \$ (142,354) | \$ (1,312,014) | \$ (510,238) | \$ (1,622,316) |
| Loss per common share – basic and diluted | \$ (0.00) | \$ (0.03) | \$ (0.01) | \$ (0.08) |
| Weighted average number of common shares outstanding – basic and diluted | 84,955,337 | 45,055,928 | 70,942,050 | 19,714,329 |

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

GOLD STATE RESOURCES INC. (FORMERLY CYON EXPLORATION LTD.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | Shares | Amount | Subscriptions Received in Advance (Note 8) | Contributed Surplus | Share-based Payments Reserve | Deficit | Total |
|---|-------------------|----------------------|--|------------------------|------------------------------------|-----------------------|---------------------|
| Balance, March 31, 2020 | 5,618,419 | 5,399,288 | \$ - | \$ 610,933 | \$ - | \$ (6,930,003) | (919,782) |
| Private placements | 19,985,000 | 1,998,500 | - | - | - | - | 1,998,500 |
| Share issuance costs - cash | - | (86,400) | - | - | - | - | (86,400) |
| Share issuance costs - warrants | - | (66,100) | - | 66,100 | - | - | - |
| Shares issued for asset acquisitions | 12,000,000 | 3,510,000 | - | - | - | - | 3,510,000 |
| Shares issued for exploration and evaluation expenditures | 4,000,000 | 400,000 | - | - | - | - | 400,000 |
| Shares issued for debt settlement | 4,771,190 | 477,119 | - | - | - | - | 477,119 |
| Share based payments | - | - | - | - | 857,800 | - | 857,800 |
| Loss for the period | - | - | - | - | - | (1,622,316) | (1,622,316) |
| Balance December 31, 2020 | 46,374,609 | 11,632,407 | - | 677,033 | 857,800 | (8,552,319) | 4,614,821 |
| Share issuance costs - cash | - | (10,317) | - | - | - | - | (10,317) |
| Shares issued for debt settlement | - | - | - | 257,229 | - | - | 257,229 |
| Share based payments | - | - | - | - | 1,600,300 | - | 1,600,300 |
| Exercise of warrants | 550,000 | 82,500 | - | - | - | - | 82,500 |
| Subsequent exercise of warrants | - | - | 75,000 | - | - | - | 75,000 |
| Options expired | - | - | - | - | (643,345) | 643,345 | - |
| Loss for the period | - | - | - | - | - | (2,058,752) | (2,058,752) |
| Balance, March 31, 2021 | 46,924,609 | \$ 11,704,590 | \$ 75,000 | \$ 934,262 | \$ 956,955 | \$ (8,655,712) | \$ 5,015,095 |
| Share issuance costs – cash | - | (35,909) | - | - | - | - | (35,909) |
| Shares issued for asset acquisitions | 37,000,000 | 4,025,000 | - | - | - | - | 4,025,000 |
| Exercise of warrants | 1,350,000 | 202,500 | (75,000) | - | - | - | 127,500 |
| Exercise of options | 199,918 | 39,984 | - | - | - | - | 39,984 |
| Loss for the period | - | - | - | - | - | (510,238) | (510,238) |
| Balance December 31, 2021 | 84,474,527 | 15,936,165 | - | 934,262 | 956,955 | (9,165,950) | 8,661,432 |

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

GOLD STATE RESOURCES INC. (FORMERLY CYON EXPLORATION LTD.)
Condensed Interim Consolidated Statements of Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | Nine months ended December 31, | |
|--|--------------------------------|--------------------|
| | 2021 | 2020 |
| Operating activities | | |
| Loss for the year | \$ (510,238) | \$ (1,622,316) |
| Items not affecting cash: | | |
| Financing expense | - | 4,675 |
| Share based payments | - | 857,800 |
| Change in non-cash working capital items: | | |
| Receivables | 248,366 | (7,345) |
| Prepays | 198,065 | (267,241) |
| Accounts payable and accrued liabilities | (106,313) | (29,779) |
| Cash used in operating activities | (170,120) | (1,004,648) |
| Investing activities | | |
| Exploration and evaluation assets | (371,424) | (569,224) |
| Cash used in investing activities | (371,424) | (569,224) |
| Financing activities | | |
| Private placements | - | 1,713,500 |
| Share issuance costs | (35,909) | (86,500) |
| Subscription received in advance | - | - |
| Loan proceeds (repayments) | 281,895 | (35,000) |
| Proceeds from warrants exercised | 39,984 | - |
| Proceeds from stock options exercised | 127,500 | - |
| Cash provided by financing activities | 413,470 | 1,592,000 |
| Change in cash during the period | (128,074) | 18,128 |
| Change in cash, beginning of the period | 131,840 | 11,609 |
| Change in cash, end of the period | \$ 3,766 | \$ 29,737 |
| SUPPLEMENTARY INFORMATION | | |
| FV of broker's warrants issued | \$ - | \$ 66,100 |
| Shares issued for settlement of accounts payable | \$ 104,484 | \$ - |
| Shares issued for settlement of debt | \$ 15,000 | \$ 477,119 |
| Shares issued for exploration and evaluation assets | \$ 4,025,000 | \$ 3,910,000 |
| Exploration and evaluation expenditures included in accounts payable and accrued liabilities | \$ 71,656 | \$ - |

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

GOLD STATE RESOURCES INC. (FORMERLY CYON EXPLORATION LTD.)
Notes to Condensed Interim Consolidated Financial Statements
For the period ended December 31, 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

1. NATURE AND CONTINUANCE OF OPERATIONS

Gold State Resources Inc. (formerly Cyon Exploration Ltd.) (the “Company”) is engaged in the acquisition and exploration of mineral properties in North America. The Company is incorporated and domiciled in Canada under the Business Corporations Act (British Columbia), and its registered office is 1055 W Georgia Street Suite 1500, Vancouver, BC. The Company is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol GOST.

On September 18, 2020, the Company consolidated its share capital on a six to one basis. These condensed interim consolidated financial statements retroactively reflect the share consolidation.

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

As at December 31, 2021 the Company has a working capital deficit of \$585,670 (March 31, 2021 – deficit of \$1,053,027) and has a deficit of \$9,165,950 (March 31, 2021 - \$8,655,712). These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern. The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate the acquisition of, participation in or interest in new properties, assets or business opportunities, and raise additional funds by way of equity financings. Any acquisition may be subject to shareholder and regulatory approval and obtaining the necessary financing. Should the Company be unable to complete such a transaction, its ability to raise sufficient financing to maintain operations may be impaired. The available funds are insufficient to continue operations for the ensuing year. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing in the future.

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

2. BASIS OF PRESENTATION, STATEMENT OF COMPLIANCE AND CONSOLIDATION

These condensed interim consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting”. The accounting policies set out in Note 3 have been applied consistently to all years presented in these condensed interim consolidated financial statements unless otherwise indicated. These condensed interim consolidated financial statements have been prepared on an accrual basis and presented in Canadian dollars, the Company’s functional currency and were approved by the Board of Directors on February 25, 2022.

These condensed interim consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. The financial statements of subsidiaries are included in condensed interim consolidated financial statements from the date that control commences until the date that control ceases. All intercompany accounts and transactions have been eliminated. These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Jumping Jack Exploration Inc., a Canadian company, 1296067 B.C. Ltd., a Canadian company, 1309871 B.C. Ltd, a Canadian Company, 1266443 B.C. Ltd., a Canadian company, Big Rock Resource Inc., a Canadian company, True Grit Lithium Inc., a US company, True Grit Nevada LLC, a US company, LRS Oil and Gas Ltd. (inactive), a US company, and Minera Lorica S.A. de C.V. (inactive), a Mexican company.

GOLD STATE RESOURCES INC. (FORMERLY CYON EXPLORATION LTD.)
Notes to Condensed Interim Consolidated Financial Statements
For the period ended December 31, 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Company's significant accounting policies:

(a) Use of estimates and judgment

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical judgments and estimates exercised in the application of accounting policies and estimates having the most significant effects on the amounts recognized in these financial statements include:

Income taxes – In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Share-based payments – The estimated fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Non-cash transactions - Management makes judgments in determining the share price attributed to issuances of shares for exploration and evaluation assets. Management considers market conditions, recent or pending private placements of the Company, and or contracted terms of the issuance. Should management's judgment as to an appropriate share price be incorrect, the value attributed to properties could be materially different.

Exploration and evaluation assets - Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful, and most assets are likely to become impaired in future periods.

Acquisitions - The assessment of whether an acquisition meets the definition of a business or an asset is an area of key judgment. In the acquisition of Gold State Resources Inc., 1296067 B.C. Ltd., 1266443 B.C. Ltd and Big Rock Resources Ltd., judgment was required to determine if the acquisition represented a business combination or an asset acquisition. More specifically, management concluded that the acquisitions did not represent a business as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the transaction (Note 6) represented the acquisition of an asset, there was no goodwill recognized and the transactions costs were capitalized to the assets purchased rather than expensed.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operation and cash flows.

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3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

(b) Functional and presentation currency

The Company's functional and presentation currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the rates prevailing at the end of the reporting period date; non-monetary items are translated into the functional currency at the rates on the date of transaction. Expenses are translated at the exchange rate approximating those in effect on the date of the transactions. Exchange gains and losses arising on the translation are included in profit and loss in the period in which they occur.

(c) Exploration and evaluation assets ("E&E")

Once the legal right to explore a property has been obtained, costs directly related to E&E expenditures are recognized and capitalized, in addition to the acquisition costs, net of recoveries, on a property-by-property basis. These direct expenditures include such costs as materials used, surveying costs, drilling costs and payments made to contractors during the exploration phase. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the period in which they occur.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments and government assistance are recorded as property costs or recoveries when the payments are made or received.

If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and will be amortized using the unit-of-production method. When a property is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of the project are deemed to be impaired. As a result, those E&E costs, in excess of estimated recoveries, are written off to profit or loss.

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Although the Company has taken steps to verify title to the properties in which it has an interest in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee that title to the properties will not be challenged or impugned. Property title may be affected by undetected defects, be subject to unregistered prior agreements, transfers or land claims, or be non-compliant with regulatory requirements.

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Notes to Condensed Interim Consolidated Financial Statements
For the period ended December 31, 2021
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3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

(d) Provisions for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year. The Company had no provisions for environmental rehabilitation as at December 31, 2021.

(e) Financial instruments

Financial assets and financial liabilities are recognized on the condensed interim consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

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.

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 profit or 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 profit or loss in the period in which they arise.

Equity investments at FVOCI

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.

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For the period ended December 31, 2021
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3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Impairment of financial assets at amortized cost

The Company recognizes 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 financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or 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.

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.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company's financial assets and liabilities are recorded and measured as follows:

| Asset or liability | Category | Measurement |
|--|-------------------|--------------------|
| Cash | FVTPL | Fair value |
| Receivables | Amortized cost | Amortized cost |
| Accounts payable and accrued liabilities | Other liabilities | Amortized cost |
| Loans payable | Other liabilities | Amortized cost |
| Interest payable on loans | Other liabilities | Amortized cost |

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash has been measured at fair value using Level 1 inputs.

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For the period ended December 31, 2021
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3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

(f) Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. 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.

(g) Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and non-employees. The Board of Directors grants such options for periods of up to ten years, with vesting periods determined at its discretion and at prices not less than the closing market price on the grant date.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the options are earned. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. For directors and employees, the fair value of the options is measured at the date of grant. 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 offset to the recorded cost is to share-based payment reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

(h) Share capital

Share capital issued for non-consideration is recorded at the closing price of the Company's shares on the date of issuance.

(i) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. The dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

(j) Segmented information

The Company operates in two geographical segments. The Company's business is the acquisition, exploration, and evaluation of mineral resource properties, which is conducted in Canada and USA. The Company has no reportable segment revenues.

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For the period ended December 31, 2021
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3. SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

(j) Segmented information (continued)

| | December 31, 2021 | December 31, 2020 |
|-----------------------------------|-------------------|-------------------|
| Canada | | |
| Exploration and evaluation assets | \$ 2,131,500 | \$ - |
| USA | | |
| Exploration and evaluation assets | \$ 7,093,128 | \$ 4,479,224 |
| Reclamation bond | \$ 22,474 | \$ - |

(k) New accounting standards adopted

The Company has not adopted any new or revised standards, along with any consequential amendments for the period ended December 31, 2021.

4. FINANCIAL INSTRUMENTS

The Company has classified its cash as FVTPL (using level 1 of the fair value hierarchy); receivables (excluding tax arrangements) at amortized cost; and accounts payable and accrued liabilities, and loans and interest on loans payable at amortized cost.

The carrying values of receivables, accounts payable and accrued liabilities and loans payable approximate their fair values due to the short-term maturity of these financial instruments.

The Company's financial instruments as at December 31, 2021 and March 31, 2021 follow:

| | December 31, 2021 | March 31, 2021 |
|--|-------------------|-------------------|
| Financial assets | | |
| Cash | \$ 3,766 | \$ 131,840 |
| Receivables | 23,657 | 272,023 |
| | \$ 27,423 | \$ 403,863 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | \$ 351,616 | \$ 457,929 |
| Loans payable | 281,895 | - |
| | \$ 633,511 | \$ 457,929 |

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5. FINANCIAL RISK MANAGEMENT

(a) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash and receivables, other than Goods and Services Tax ("GST"). The maximum exposure to loss arising from receivables is equal to their carrying amounts.

The Company manages credit risk with respect to its cash by maintaining demand deposits with a major Canadian financial institution; however, this exposes the Company's cash to concentration of credit risk as all amounts are held at a single institution.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company is exposed to liquidity risk as it relates to its accounts payable and accrued liabilities.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

- A. To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and
- B. To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to significant foreign currency risk as its monetary assets and liabilities are predominantly in Canadian dollars. Any fluctuation would have a negligible impact on profit and loss.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

There were no changes in the Company's approach to managing the above risks.

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6. EXPLORATION AND EVALUATION ASSETS

A summary of capitalized acquisition and exploration costs follows:

| | Longface Property | Black Rock Canyon Property | Aspen Gold Property | Total |
|------------------------------------|----------------------|----------------------------------|---------------------------|---------------------|
| Balance – March 31, 2020 | \$ - | \$ - | \$ - | \$ - |
| Acquisition costs | | | | |
| Acquired via acquisitions | - | 1,818,844 | 2,100,000 | 3,918,844 |
| Shares | - | 400,000 | - | 400,000 |
| Lease maintenance costs | - | 200,641 | - | 200,641 |
| | - | 2,419,485 | 2,100,000 | 4,519,485 |
| Exploration expenditures | | | | |
| Drilling | - | 202,375 | - | 202,375 |
| Geo-consulting | - | 106,344 | - | 106,344 |
| | \$ - | 308,719 | - | 308,719 |
| Balance – March 31, 2021 | \$ - | \$ 2,728,204 | \$ 2,100,000 | \$ 4,828,204 |
| Acquisition costs | | | | |
| Acquired via acquisitions | 1,396,786 | 2,700,000 | - | 4,096,786 |
| Lease maintenance costs | 77,909 | 112,447 | - | 190,356 |
| Exploration expenditures | | | | |
| Drilling | - | 19,537 | - | 19,537 |
| Geo-consulting | 56,217 | 2,028 | - | 58,245 |
| Survey | - | - | 31,500 | 31,500 |
| Balance – December 31, 2021 | \$ 1,530,912 | \$ 5,562,216 | \$ 2,131,500 | \$ 9,224,628 |

Longface Property

During the period ended December 31, 2021, the Company acquired all the issued and outstanding common shares of 1309871 B.C. Ltd. ("1309871 BC" and formerly "Gold State Resources Inc."). 1309871 BC, through its subsidiary Jumping Jack Exploration Inc., is a party to an option agreement for the acquisition of up to a 65% interest in certain mineral claims known as the Jumping Jack property ("Jumping Jack"). Jumping Jack is located in the Moors Creek mining district of Nye County, Nevada.

Under the terms of the option agreement, the Company may earn an initial 65% interest in the property by incurring exploration expenditures at the property as follows:

- a) Exploration expenditures
 - i) US\$750,000 by March 4, 2022
 - ii) US\$1,751,000 by March 4, 2023
 - iii) US\$3,000,000 by March 4, 2024

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6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Pursuant to a share exchange agreement amongst the Company, 1309871 BC and Jumping Jack Exploration Inc., the Company acquired the 1309871 BC shares in consideration for 25,000,000 common shares of the Company. An additional 10,000,000 common shares of the Company will be paid to 1309871 BC shareholders for every 1,000,000 ounces of proven gold resources on the Jumping Jack Property.

In addition, the option agreement calls for a 2% NSR tied to Jumping Jack pursuant to which 1% may be purchased at a cost of US\$1,000,000.

Black Rock Canyon Property

During the period ended December 31, 2021, the Company acquired a 100% interest in the Black Rock Canyon Property by acquiring all of the issued and outstanding shares of 1296067 B.C. Ltd. ("1296") in consideration of 12,000,000 common shares to 1296's shareholders issued and valued at \$2,700,000. 1296 is the owner of certain mineral claims and interests in leases known as the Black Rock Canyon property.

During the year ended March 31, 2021, the Company acquired all the issued and outstanding shares of 1266443 B.C. ("1266") Ltd. in consideration of 6,000,000 common shares to 1266's shareholders issued and valued at \$1,710,000 and a cash payment of \$100,000. 1266 is the beneficial owner of mineral lode claims located on the Black Rock Canyon Property.

Aspen Gold Property

During the year ended March 31, 2021, the Company acquired 100% interest in the Aspen Gold Property by acquiring all the issued and outstanding shares of Big Rock Resources Inc. ("Big Rock") in consideration of 6,000,000 common shares (issued and valued at \$1,800,000) to Big Rock's shareholders and a cash payment of \$200,000.

Panteria Property

During the period ended December 31, 2021, the Company entered into a binding letter of intent ("LOI") with Peruvian Metals Corp. to acquire a 100% interest in the Panteria copper-gold porphyry project and the Reynaldo project (the "Projects"). The projects are located approximately 210 kilometres southeast of Lima, Peru, in the Huancavelica department in the Castrovirreyan Province.

An initial payment of CAN \$10,000 was paid to Peruvian Metals upon entering the LOI. The LOI allows the Company to conduct its due diligence in order to execute a definitive agreement. Upon signing the definitive agreement, the Projects will be transferred to a Peruvian subsidiary owned by the Company, and the Company will pay Peruvian Metals US \$200,000 and issue 9,275,000 common shares of the Company.

7. LOANS PAYABLE

As at December 31, 2021, loans payable of \$281,895 are unsecured, non-interest bearing with no terms of repayment.

8. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity (deficiency). The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends and is not subject to any externally imposed capital requirements.

The Company raises capital through the issuance of its share capital and loans payable to fund operations. Although the Company has been successful at raising funds in the past through issuance of common shares and loans payable, there can be no assurance that it will continue to be able to do so in the future.

There were no changes to the Company's approach to capital management during the period ended December 31, 2021.

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9. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) Issued

During the period ended December 31, 2021, the Company:

- i) issued 749,918 common shares to settle accounts payable of \$104,484 and loan payable of \$15,000 pursuant to the exercise of 199,918 stock options at \$0.20 per option and 550,000 warrants at \$0.15 per warrant.
- ii) issued 12,000,000 common shares valued at \$2,700,000 to acquire all the issued and outstanding shares of 1296067 B.C. Ltd
- iii) issued 1,350,000 common shares for warrants exercised for total proceeds of \$202,500
- iv) issued 25,000,000 common shares valued at \$1,325,000 to acquire all the issued and outstanding shares of 1309871 BC.

During the year ended March 31, 2021, the Company:

- i) issued 4,000,000 common shares valued at \$400,000 pursuant to the acquisition of Black Canyon Property (Note 6);
- ii) closed a non-brokered private placement of 19,985,000 units at a price of \$0.10 for gross proceeds of \$1,998,500, \$100,000 of which was to repay loans, \$5,000 to repay accounts payable and \$230,000 which was received during the year ended March 31, 2020. A balance of \$5,000 remains outstanding and is recorded within receivables as of March 31, 2021. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at \$0.15 per share until September 21, 2023. In connection to the financing, the Company paid share issuance costs of \$96,717 cash, and 864,000 finder's warrants valued at \$66,100. Each finder's warrant entitles the holder thereof to acquire one common share at \$0.15 per share until September 21, 2023;
- iii) issued 4,771,190 common shares and 3,632,341 warrants to settle debt of \$477,119, which comprised of loans of \$377,119 and accounts payable of \$100,000. Each warrant entitles the holder thereof to acquire one common share at \$0.15 per share until September 21, 2023. The warrants were valued at \$257,229. In connection with the settlement of debt, the Company recorded a loss of \$257,229;
- iv) issued 6,000,000 common shares valued at \$1,710,000 to acquire all the issued and outstanding shares of 1266443 B.C. Ltd. (Note 6);
- v) issued 6,000,000 common shares valued at \$1,800,000 to acquire all the issued and outstanding shares of Big Rock Resources Inc. (Note 6);
- vi) issued 550,000 common shares for warrants exercised for total proceeds of \$82,500.

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9. SHARE CAPITAL (CONTINUED)

(c) Stock Options

The Company has adopted a “rolling” stock option plan for its employees, directors, officers and self-employed consultants. The terms of the plan provide for options to be granted to the extent of 10% of the issued and outstanding common shares of the Company at the time of grant of the stock options. The exercise price of each option shall not be less than the minimum price permitted by the policies of the TSX Venture Exchange. The options may be granted for a maximum term of ten years from the date of grant and vest at the discretion of the board. The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions for the grants.

During the period ended December 31, 2021, the Company did not grant any stock options.

During the year ended March 31, 2021, the Company:

- i) granted 3,000,000 stock options to directors and officers of the Company exercisable at \$0.30 per share until October 9, 2025. The estimated fair value of these options was \$857,800.
- ii) granted 1,000,000 stock options to a director of the Company exercisable at \$0.21 per share until February 16, 2026. The estimated fair value of these options was \$202,400.
- iii) granted 2,800,000 stock options to directors, officers and consultants of the Company exercisable at \$0.20 per share until March 18, 2026. The estimated fair value of these options was \$540,100.
- iv) cancelled 2,250,000 stock options issued to former directors and officers of the Company exercisable at \$0.30 per share.

A summary of the Company’s stock option activity is as follows:

| | December 31, 2021 | | March 31, 2021 | |
|--------------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of the period | 4,550,000 | \$ 0.22 | - | \$ - |
| Exercised | (199,918) | 0.20 | - | - |
| Granted | - | - | 6,800,000 | 0.25 |
| Cancelled | - | - | (2,250,000) | 0.30 |
| Outstanding, end of period | 4,350,082 | \$ 0.22 | 4,550,000 | \$ 0.22 |
| Exercisable, end of period | 4,350,082 | \$ 0.22 | 4,550,000 | \$ 0.22 |

As of December 31, 2021, the following stock options were outstanding and exercisable:

| Number of Options | Exercise Price | Expiry Date |
|-------------------|----------------|-------------|
| 750,000 | \$0.30 | 9-Oct-25 |
| 1,000,000 | \$0.21 | 16-Feb-26 |
| 2,600,082 | \$0.20 | 18-Mar-26 |
| 4,350,082 | | |

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9. SHARE CAPITAL (CONTINUED)

A summary of the Company's warrant activity is as follows:

| | December 31, 2021 | | March 31, 2021 | |
|--------------------------------------|--------------------|---------------------------------|--------------------|---------------------------------|
| | Number of warrants | Weighted average exercise price | Number of warrants | Weighted average exercise price |
| Outstanding, beginning of the period | 23,931,341 | \$ 0.15 | - | \$ - |
| Granted | - | - | 24,481,341 | 0.15 |
| Exercised | (1,350,000) | 0.15 | (550,000) | 0.15 |
| Outstanding, end of period | 22,581,341 | \$ 0.15 | 23,931,341 | \$ 0.15 |

As at December 31, 2021, the following warrants were outstanding and exercisable:

| Number of Warrants | Exercise Price | Expiry Date |
|--------------------|----------------|-------------|
| 18,085,000 | \$0.15 | 21-Sep-23 |
| 864,000 | \$0.15 | 21-Sep-23 |
| 3,632,341 | \$0.15 | 21-Sep-23 |
| 22,581,341 | | |

10. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's key management personnel consist of directors, executive officers, and companies controlled or influenced by them. The Company incurred certain fees and expenses in the normal course of operations in connection with companies owned by such parties for the periods ended December 31, 2021 and 2020.

For the period ended December 31, 2021 and 2020, the Company was charged for administrative costs as follows:

| | December 31, 2021 | December 31, 2020 |
|--------------------------|-------------------|---------------------|
| Management fees | \$ 100,000 | \$ 90,000 |
| Accounting and audit | 25,000 | 87,710 |
| Share-based compensation | - | 857,800 |
| | \$ 125,000 | \$ 1,035,510 |

During the period ended December 31, 2021, the Company:

- i) paid or accrued management fees of \$100,000 (2020 - \$90,000) in respect of the services provided by the CEO of the Company.
- ii) paid or accrued accounting of \$25,000 (2020 - \$87,710) in respect of the accounting services from the CFO of the Company.

Amounts due to related parties in accounts payable and accrued liabilities as at December 31, 2021 totaled \$37,143 (March 31, 2021 - \$45,021).

Amounts due from related parties in receivables as at December 31, 2021 totaled \$Nil (March 31, 2021 – \$237,819).