



VISIONARY GOLD CORP.

(Formerly Galileo Exploration Ltd.)

Condensed Consolidated Interim Financial Statements

(Unaudited)

For the three months ended September 30, 2021

Visionary Gold Corp.
Suite 407 – 325 Howe Street
Vancouver, British Columbia, Canada V6C 1Z7

Trading Symbol: VIZ
Telephone: 604-687-3520
Facsimile: 1-888-889-4874

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with 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 an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are responsibility of the Company's management.

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

VISIONARY GOLD CORP.
(Formerly Galileo Exploration Ltd.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

| | Note | September 30, 2021 (Unaudited) | June 30, 2021 (Audited) |
|--|------|--------------------------------------|-------------------------------|
| ASSETS | | | |
| Current | | | |
| Cash | | \$ 1,948,773 | \$ 3,191,190 |
| Other receivable | | 15,389 | 11,785 |
| Prepaid expenses and deposits | 10 | 44,944 | 44,988 |
| | | <u>2,009,106</u> | <u>3,247,963</u> |
| Non-current | | | |
| Reclamation and environmental bonds | 4 | 58,191 | 56,606 |
| Exploration and evaluation assets | 4 | 1,712,761 | 696,287 |
| | | <u>1,770,952</u> | <u>752,893</u> |
| | | <u>\$ 3,780,058</u> | <u>\$ 4,000,856</u> |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 5, 9 | \$ 152,664 | \$ 229,994 |
| | | <u>152,664</u> | <u>229,994</u> |
| Non-current | | | |
| Decommissioning obligation | 6 | 60,155 | 60,155 |
| Restoration provision | 4 | 4,005 | 4,005 |
| | | <u>64,160</u> | <u>64,160</u> |
| SHAREHOLDERS' EQUITY (DEFICIENCY) | | | |
| Share capital | 7 | 9,857,403 | 9,857,403 |
| Contributed surplus | 7 | 2,604,926 | 2,523,677 |
| Accumulated other comprehensive income | | 40,360 | (11,387) |
| Deficit | | <u>(8,939,455)</u> | <u>(8,662,991)</u> |
| | | <u>3,563,234</u> | <u>3,706,702</u> |
| | | <u>\$ 3,780,058</u> | <u>\$ 4,000,856</u> |

Nature of Operations and Going Concern (Note 1)

These consolidated financial statements were authorized for issue by the board of Directors on November 29, 2021. They are signed on the Company's behalf by:

"John Kanderka"

John Kanderka, Director

"Wes Adams"

Wes Adams, Director

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

VISIONARY GOLD CORP.
(Formerly Galileo Exploration Ltd.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars; Unaudited)

| | | For the three months ended | |
|--|------|----------------------------|---------------------|
| | | September 30, | |
| | Note | 2021 | 2020 |
| Revenue | | | |
| Petroleum | 6 | \$ - | \$ 2,536 |
| | | <u>-</u> | <u>2,536</u> |
| Expenses | | | |
| General and administrative | 8 | 166,446 | 101,178 |
| Geological consulting and data fees | | - | 31,845 |
| Share-based payments | 7 | 81,249 | - |
| Resource operating expenses | | <u>7,079</u> | <u>1,398</u> |
| | | <u>254,774</u> | <u>134,421</u> |
| Other items | | | |
| Foreign exchange gain (loss) | | (21,690) | 4,622 |
| Change in estimated decommissioning obligation | 6 | - | - |
| | | <u>(21,690)</u> | <u>4,622</u> |
| Net loss for the year | | (276,464) | (127,263) |
| Other comprehensive income | | | |
| Items that may be reclassified to profit or loss | | | |
| Foreign currency translation adjustment | | <u>40,360</u> | <u>-</u> |
| Total comprehensive loss for the year | | <u>\$ (236,104)</u> | <u>\$ (127,263)</u> |
| Basic and diluted loss per share | | <u>\$ (0.00)</u> | <u>\$ (0.00)</u> |
| Weighted average number of common shares outstanding | | <u>71,945,563</u> | <u>27,037,478</u> |

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

VISIONARY GOLD CORP.
(Formerly Galileo Exploration Ltd.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian dollars; Unaudited)

| | Number of shares | Share capital | Contributed surplus | Accumulated other comprehensive income | Deficit | Total shareholders' equity (deficiency) |
|---|---------------------|---------------------|------------------------|---|-----------------------|--|
| Balance as at June 30, 2020 (Audited) | 24,151,681 | \$ 4,983,391 | \$ 2,236,421 | \$ - | \$ (7,913,030) | \$ (693,218) |
| Shares issued: | | | | | | |
| Private placements | 17,000,000 | 850,000 | - | - | - | 850,000 |
| Debt Settlement | 10,493,306 | 524,666 | - | - | - | 524,666 |
| Share issue costs | - | (5,200) | - | - | - | (5,200) |
| Net income (loss) and comprehensive income (loss) | - | - | - | 512 | (127,263) | (126,751) |
| Balance as at September 30, 2020 (Unaudited) | 51,644,987 | 6,352,857 | 2,236,421 | 512 | (8,040,293) | 549,497 |
| Shares issued: | | | | - | | |
| Private placements | 19,750,576 | 3,555,104 | - | - | - | 3,555,104 |
| Property acquisition | 550,000 | 99,000 | - | - | - | 99,000 |
| Share issue costs | - | (149,557) | 58,329 | - | - | (91,228) |
| Share-based compensation | - | - | 228,927 | - | - | 228,927 |
| Net loss and comprehensive loss | - | - | - | (11,899) | (622,698) | (634,597) |
| Balance as at June 30, 2021 (Audited) | 71,945,563 | 9,857,403 | 2,523,677 | (11,387) | (8,662,991) | 3,706,702 |
| Shares issued: | | | | | | |
| Share-based compensation | - | - | 81,249 | - | - | 81,249 |
| Net income (loss) and comprehensive income (loss) | - | - | - | 51,747 | (276,464) | (224,717) |
| Balance as at September 30, 2021 (Unaudited) | 71,945,563 | \$ 9,857,403 | \$ 2,604,926 | \$ 40,360 | \$ (8,939,455) | \$ 3,563,234 |

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

VISIONARY GOLD CORP.
(Formerly Galileo Exploration Ltd.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars; Unaudited)

| | | For the three months ended September 30, | |
|--|-------------|---|-------------------|
| | Note | 2021 | 2020 |
| Cash provided by (used in): | | | |
| Operating activities | | | |
| Net loss and comprehensive loss | | \$ (236,104) | \$ (127,263) |
| Items not involving cash: | | | |
| Share-based payments | 7 | 81,249 | - |
| Foreign exchange loss | | (21,690) | 1,311 |
| Changes in non-cash working capital related to operating activities | | (157,538) | 26,843 |
| Cash used in operating activities | | (334,083) | (99,109) |
| Investing activities | | | |
| Additions to exploration and evaluation assets | | (939,826) | (35,102) |
| Reclamation and environmental bonds | | (1,585) | - |
| Cash used in investing activities | | (941,411) | (35,102) |
| Financing activities | | | |
| Cash from issuance of shares | 7 | - | 850,000 |
| Share issue costs | | - | (4,450) |
| Cash provided by financing activities | | - | 845,550 |
| Net increase (decrease) in cash | | (1,275,494) | 711,339 |
| Effect of exchange rate changes on cash | | 33,077 | 512 |
| Cash - beginning of the year | | 3,191,190 | 18,536 |
| Cash - end of the year | | <u>\$ 1,948,773</u> | <u>\$ 730,387</u> |
| Supplemental Cash Flow information | | | |
| Non-cash investing and financing activities: | | | |
| Exploration and evaluation assets in accounts payable | | \$ 76,648 | \$ 62,190 |
| Shareholder loans settled by issuance of common shares | | - | 181,252 |
| Accounts payable settled by issuance of common shares | | - | 342,474 |

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

VISIONARY GOLD CORP.

(Formerly Galileo Exploration Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian dollars; Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Visionary Gold Corp. (formerly Galileo Exploration Ltd.) (the “Company” or “Visionary”) was incorporated on August 14, 2000 under the Business Corporations Act of the Province of British Columbia and trades on the TSX Venture Exchange (“TSX-V”) under the symbol “VIZ” (effective November 30, 2020; currently “GXL”). Its registered office is 19th Floor, 885 West Georgia Street, Vancouver, BC V6C 3H4. The name change was effective on November 25, 2020.

The Company is a junior exploration company and is focused on acquiring and developing projects.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company incurred a net loss of \$236,104 for the three months ended September 30, 2021 (2020 – \$127,263). To date, the Company has not earned significant revenues and has accumulated losses of \$8,939,455. The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain necessary equity or other financing to continue operations, and/or to attain sufficient profitable operations.

There are material uncertainties that may cast significant doubt about the appropriateness of the going concern assumption. The current market conditions and volatility increase the uncertainty of the Company’s ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds. The outcome of these matters cannot be predicted at the present time. These factors indicate the existence of material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

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

These condensed consolidated interim 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. If the going concern basis was not appropriate for these condensed consolidated interim financial statements, adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used.

VISIONARY GOLD CORP.

(Formerly Galileo Exploration Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian dollars; Unaudited)

2. BASIS OF PREPARATION

(a) Statement of compliance with IFRS

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance and compliance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Basis of preparation and measurement

Depending on the applicable IFRS requirements, the measurement basis used in the preparation of the condensed consolidated interim financial statements is cost, net realizable value, fair value or recoverable amount. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statements for the year ended June 30, 2021.

These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2021. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the three-month period ended September 30, 2021 are not necessarily indicative of the results that may be expected for the current fiscal year ending June 30, 2021.

VISIONARY GOLD CORP.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian dollars; Unaudited)

4. EXPLORATION AND EVALUATION ASSETS

Majuba Hill

On September 20, 2020, the Company signed a Debt Settlement Agreement (the “DSA”) with regards to its 2017 lease agreement on the Majuba Hill property in Pershing County, North Central Nevada. Pursuant to the DSA, the parties agreed that the Company would pay US\$50,000 as full and final settlement. As at June 30, 2021, \$Nil (September 30, 2020 - \$65,435) is included in accounts payable and accrued liabilities in respect to this amount.

As a result of ceasing activities on the Majuba Hill property, the Company is required to restore the camp site. The Company has recorded a provision for disposal costs of \$4,005 (September 30, 2020 - \$4,005).

As of September 30, 2021, the Company had a reclamation bond of \$5,953 (US\$4,672) with the Bureau of Land Management (September 30, 2020 - \$17,155 (US\$12,861)). On September 23, 2020, the Company engaged a consultant to commence reclamation work at Majuba Hills in October 2020 and the reclamation work has been completed at a cost of US\$8,500. Further work is being undertaken to establish vegetation at the site, which is estimated to take 2 to 3 years. Approximately 60% of the reclamation bond has been recovered as of September 30, 2021.

Wolf Gold Project

On September 4, 2020 (the “Effective Date”), the Company, through its wholly-owned subsidiary Lost Creek Corporation (“LCC”), entered into a lease assignment agreement (the “LAA”) with a private company (“GLM”) located in the state of Wyoming, whereby GLM agreed to assign to LCC and LCC agreed to assume from GLM all of GLM’s rights, title, interests, obligations and liabilities in and under two leases, dated June 12, 2020 and July 6, 2020, with the lessors. Pursuant to the LAA and a subsequent amendment:

- LCC will pay GLM annual payments of US\$30,000 on execution of the LAA (*paid*) and US\$40,000 on each anniversary of the Effective Date through termination, expiration or reassignment of the leases. These annual payments will be credited against royalty payment obligations and toward the royalty buy-out. LCC is under no obligation to make the annual payments from and after the date LCC ceases production, exploration or development of the property and its activities on the property are for reclamation only or upon LCC’s exercise of the option, upon reassignment or upon expiration or termination of the underlying lease(s).
- LCC will pay to GLM a 2% Net Smelter Returns (“NSR”) royalty on the production and sale of minerals from the property. Within five years from the Effective Date, LCC has the option, but not the obligation, to purchase the royalty for US\$2 million, minus all prior annual payments.
- If LCC fails to exercise the royalty buy-out, it will have the option to reassign the leases to GLM and GLM may, in its discretion, elect to assume all of LCC’s right, title and interest in the leases. Upon reassignment, LCC will have no further obligations regarding leases or the LAA, including no obligation to make the annual payments or the royalty payment to GLM.

VISIONARY GOLD CORP.

(Formerly Galileo Exploration Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian dollars; Unaudited)

4. EXPLORATION AND EVALUATION ASSETS *(continued)*

Wolf Gold Project *(continued)*

- If the lessor wishes to sell, grant, assign, convey, encumber, license, pledge or otherwise commit, dispose or transfer all or any portion of its interest in the claims, the property, the LAA or the production royalty payments, then the lessor will first offer such interest to LCC.

Pursuant to the underlying lease agreements (the "LAs"):

- The initial term of the LAs is three years and the leases shall be for so long thereafter as royalties are payable to the lessors in respect of the claims provided that the LAs can be terminated by GLM at any time.
- GLM will pay to the lessors a 2.5% production royalty equal to the NSR derived by GLM from operations conducted on the claims properties.
- In order to maintain the leases, GLM must pay advance royalty payments (for each lease) of US\$2,500 on execution and US\$2,500 on or before each anniversary date for as long as the LAs are in effect. All advance royalty payments will be credited to and recoverable by GLM from all production royalties accruing as production royalties to the lessors.
- GLM can elect to terminate the LAs and its performance thereunder by conveying all right, title and interest it may have in the claims to the lessors.
- Either party has the right to assign its interest in the LAs to either an affiliate, in which case the assigning party remains a guarantor, or to a non-affiliate.

On March 23, 2021, the Company entered into a mining lease agreement with option (the "Agreement") with an individual, to buy certain mining claims in Fremont County, Wyoming, which consists of three unpatented mining claims. The initial term of the Agreement expires on March 23, 2026, subject to the option of the Company to extend the expiry date for a further five-year period. Pursuant to the Agreement:

- The Company will pay to the lessor the sum of US\$30,000 upon execution and each year during the term of the Agreement and has an option to buy the property for US\$3,000,000 at any point during the term of the Agreement;
- During the term of the Agreement, a 4% net smelter returns royalty is payable to the current owners of the property with the right to buy down the royalty to 2% for US\$2,000,000 per percentage point; and
- The Company can terminate the Agreement at any time, without penalty.

On May 8, 2021, the Company entered into a purchase and sale agreement with Innovation Exploration Ventures LLC and an individual to acquire certain mining claims and data for \$99,000 paid with the issuance of 550,000 common shares of the Company at a deemed price of \$0.18 per share.

As of September 30, 2021, the Company had a refundable environmental bond of \$52,238 (US\$41,000) (September 30, 2020 - \$Nil).

As of September 30, 2021, the Company had capitalized \$1,712,761 (September 30, 2020 - \$87,241) in exploration and evaluation expenditures related to the Wolf Gold Project.

VISIONARY GOLD CORP.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian dollars; Unaudited)

4. EXPLORATION AND EVALUATION ASSETS *(continued)*Wolf Gold Project *(continued)*

| | Wolf Gold Project |
|--------------------------------------|--------------------------|
| Balance at June 30, 2021 | \$ 696,287 |
| Additions during the period | |
| Acquisition and holding costs: | |
| Exploration and evaluation | 167 |
| Option payment | 53,909 |
| Staking | 3,167 |
| | <u>57,243</u> |
| Exploration expenditures: | |
| Claim fees and licenses | 288,560 |
| Training/certification | 190 |
| Assays | 73,828 |
| Camp and field costs | 8,606 |
| Geochemistry | 10,877 |
| Geological supplies | 93,047 |
| Geology | 53,251 |
| Permits | 6,645 |
| Geophysics | 9,734 |
| Environmental consulting | 53,072 |
| Sampling and drilling | 198,166 |
| Report, drafting and maps | 21,041 |
| Travel & accommodations | 57,667 |
| Field supplies | 15,823 |
| Legal | 142 |
| Consulting | 1,426 |
| Field equipment | 67,156 |
| | <u>959,231</u> |
| Net change | <u>1,016,474</u> |
| Balance at September 30, 2021 | \$ 1,712,761 |

5. TRADE AND OTHER PAYABLES

| | September 30, 2021 | June 30, 2021 |
|---------------------|-------------------------------|--------------------------|
| Trade payables | \$ 152,664 | \$ 229,994 |
| Accrued liabilities | - | - |
| | <u>\$ 152,664</u> | <u>\$ 229,994</u> |

In August 2020, the Company entered into shares for debt agreements to satisfy an aggregate of \$524,665 of the Company's outstanding accounts payable and shareholders' loans. The creditors include certain related parties of the Company, including John Kanderka, Chief Executive Officer and a Director, Wes Adams, Chief Financial Officer and a Director, Marc Blythe, a Director and John Adams, a holder of greater than 10% of the issued and outstanding shares (collectively, the "Related Parties"). Approval for this transaction was received from the TSX Venture Exchange on September 24, 2020.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian dollars; Unaudited)

6. PETROLEUM AND NATURAL GAS PROPERTIES *(continued)*

On September 29, 2020, 10,493,306 common shares at a deemed price of \$0.05 per share were issued to the creditors which includes an aggregate of 9,288,493 shares issued to the Related Parties. An aggregate of 2,015,535 shares were issued to John Kanderka, representing \$100,777 in full satisfaction of the amount owing for services rendered in his capacity as the Chief Executive Officer and for expenses paid on behalf of the Company. An aggregate of 3,927,473 shares were issued to Wes Adams, representing \$196,374 in partial satisfaction of the amount owing for services rendered in his capacity as Chief Financial Officer, for loans extended to the Company and for expenses paid on behalf of the Company. An aggregate of 797,540 shares were issued to Marc Blythe, representing \$39,877 in full satisfaction for expenses paid on behalf of the Company. An aggregate of 2,547,945 shares were issued to John Adams, representing \$127,397 in full satisfaction of loans extended to the Company.

In March 2011, the Company (the “farmee”) entered into a Farmout and Participation Agreement with a private company (the “farmor”) in the business of exploring for and producing oil, gas and coal. Pursuant to the agreement, the Company earned the farmor’s pre-farmout 25% working interest in two (test) wells located in Saskatchewan and can earn a 25% working interest if the farmor licenses contingent locations in the farmout and mutual interest lands (as defined). The farmor was appointed the initial operator (“operator 1”) of the wells with respect to all operations conducted by both parties. In December 2017, the farmor transferred and conveyed its entire interest in the agreement to another private company (“operator 2”) in the business of consolidating undervalued, under-exploited, mature and producing oil and natural gas assets.

During the year ended June 30, 2017, the Company changed its focus from oil and gas exploration and production to mineral exploration and, accordingly, wrote off the carrying value of its oil and gas properties. The company continues to hold a 25% working interest in four oil wells and two gas wells (one active oil well, two suspended gas wells and three abandoned oil wells). Operations relating to the active and completed wells are conducted by operator 2 and operations relating to the other wells are conducted by operator 1.

On a monthly basis, the Company receives a joint interest billing from operator 2 for its 25% share of revenue earned and operating expenses incurred. On a periodic basis, the Company receives a joint interest billing from operator 1 for its 25% share of abandonment and reclamation costs incurred and any annual rental obligations. On an annual basis, effective June 30th, the Company obtains an ‘Evaluation of Interests’ report from an independent company specializing in reserves evaluations for oil and gas companies. This report includes a NI 51-101 compliant estimate of the net present value of future net revenue (before income taxes) attributed to the proved plus probable reserves for the active oil well.

On June 1, 2020, in relation to proceedings under the Companies’ Creditors Arrangement Act (the “Act”), an Order (the “CCAA Initial Order”) was granted by the Court of the Queen’s Bench of Alberta (the “Court”) pursuant to the Act granting operator 2 various relief including but not limited to, the imposition of an initial Stay of Proceedings against operator 2 and its assets through to June 11, 2020, subsequently extended until October 30, 2020. Pursuant to the CCAA Initial Order, (i) operator 2 is to continue to carry on business in a manner consistent with the commercially reasonable preservation of its business while it considers and pursues restructuring alternatives; and (ii) any claims against operator 2 in relation to obligations arising prior to June 1, 2020 are suspended and creditors are prohibited from continuing or taking any actions or exercising any rights in relation thereto. On July 24, 2020, the court approved a sales and investment solicitation, and the oil properties were sold to a third party during the quarter ending March 31, 2021. As of September 30, 2020, \$2,359 receivable from operator 2 was included in prepaid expenses and deposits.

On February 11, 2021, the Company entered into a Quitclaim, Surrender, Conveyance and Assignment of Interest with respect to three abandoned gas wells and made a payment of \$14,566 to satisfy any and all obligations, including decommissioning obligations.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian dollars; Unaudited)

6. PETROLEUM AND NATURAL GAS PROPERTIES *(continued)*

The decommissioning obligation is estimated based on the Company's working interest in wells that have not been reclaimed, the estimated cost to abandon and reclaim the wells and the estimated timing of the costs to be incurred in future periods. The Company estimates the undiscounted cash flows related to its decommissioning obligation is approximately \$77,988 (June 30, 2020 - \$111,000). The properties that remain subject to decommissioning obligations are the gas well sent to the Orphan Well Association and the active oil well. The fair value of this obligation was calculated using risk free rates between 0.74% to 1.96% (2020 – 1.55% to 2.21%), an inflation rate between 1.81% to 4.38% (2020 – 0.15% to 1.69%) and the expectation of being fully abandoned by 2036. The estimated decommissioning obligation as at June 30, 2021 and June 30, 2020 is as follows:

| | |
|--|-------------------------|
| Balance, June 30, 2020 and September 30, 2020 | 86,013 |
| Reclamation costs | (2,600) |
| Quit Claim payment to extinguish obligation | (14,566) |
| Change in estimated decommissioning obligation | (8,692) |
| Balance, June 30, 2021 and September 30, 2021 | <u>\$ 60,155</u> |

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian dollars; Unaudited)

7. SHARE CAPITAL**a. Authorized**

As at September 30, 2020, the authorized share capital was comprised of an unlimited number of class A common shares without par value. These common shares have voting rights.

b. Share issuances

On September 15, 2020, the Company completed a non-brokered private placement for the issuance of 17,000,000 common shares at \$0.05 per common share for a total of \$850,000.

On September 29, 2020, the Company issued 10,493,306 common shares for debt settlement (see Note 5).

c. Share Purchase Option Compensation Plan

The Company established a 10% rolling stock option plan whereby the Board of Directors may from time to time grant options to individual eligible directors, officers, employees or consultants. The maximum term of any option is five years. The exercise price of an option is not less than the closing price on the last trading day preceding the grant date, less allowable discounts in accordance with the policies of the Exchange. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options granted under the Stock Option Plan are subject to a vesting schedule whereby 25% of each option will vest on the grant date and 25% will vest on each of the three month anniversaries of the date of grant, up to and including the end of the first year after such grant, or such other more restrictive vesting schedule as the administrator of the Stock Option Plan may determine.

A continuity of options for the three months ended September 30, 2020 is as follows:

| | Exercise | June 30, | | | September 30, | | | |
|---------------------------------|------------|-----------|-----------|---------|---------------|---|----|------|
| Expiry date | price (\$) | 2021 | Issued | Expired | 2021 | | | |
| February 27, 2022 | 0.12 | 1,200,000 | - | - | 1,200,000 | | | |
| December 1, 2022 | 0.085 | 2,955,000 | - | - | 2,955,000 | | | |
| August 4, 2023 | 0.195 | - | 1,000,000 | - | 1,000,000 | | | |
| Options outstanding | | 4,155,000 | 1,000,000 | - | 5,155,000 | | | |
| Options exercisable | | 4,155,000 | 250,000 | - | 4,405,000 | | | |
| Weighted average exercise price | \$ | 0.10 | \$ | 0.195 | \$ | - | \$ | 0.11 |

The assumptions used in the Black Scholes Option Pricing Model to estimate the fair value of options:

| | September 30, 2021 | September 30, 2020 |
|---------------------------------|--------------------|--------------------|
| Risk-free interest rate | 0.66% | N/A |
| Expected stock price volatility | 172.0490% | N/A |
| Expected option life in years | 2 | N/A |
| Expected dividend in yield | N/A | N/A |
| Forfeiture rate | N/A | N/A |

VISIONARY GOLD CORP.

(Formerly Galileo Exploration Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian dollars; Unaudited)

A continuity of options for the year ended June 30, 2021 is as follows:

| Expiry date | Exercise price (\$) | June 30, 2020 | Issued | Expired | June 30, 2021 |
|---------------------|----------------------------|----------------------|---------------|----------------|----------------------|
| July 24, 2020 | 0.15 | 100,000 | - | (100,000) | - |
| February 27, 2022 | 0.12 | 1,200,000 | - | - | 1,200,000 |
| December 1, 2022 | 0.085 | - | 2,955,000 | - | 2,955,000 |
| Options outstanding | | 1,300,000 | 2,955,000 | (100,000) | 4,155,000 |
| Options exercisable | | 1,300,000 | 2,216,250 | - | 3,416,250 |

Weighted average

| | | | | | | | | |
|----------------|----|------|----|------|----|------|----|------|
| exercise price | \$ | 0.12 | \$ | 0.09 | \$ | 0.15 | \$ | 0.10 |
|----------------|----|------|----|------|----|------|----|------|

The weighted average remaining life of the outstanding options as a September 30, 2021 is 1.06 years (June 30, 2021 – 1.20 years).

d. Warrants

| Expiry date | Exercise price (\$) | June 30, 2021 | Issued | Expired | September 30, 2021 |
|--------------------|----------------------------|----------------------|---------------|----------------|---------------------------|
| June 8, 2023 | 0.27 | 9,875,288 | - | - | 9,875,288 |
| | | 9,875,288 | - | - | 9,875,288 |

Weighted average

| | | | | | | | | |
|----------------|----|---|----|------|----|---|----|------|
| exercise price | \$ | - | \$ | 0.27 | \$ | - | \$ | 0.27 |
|----------------|----|---|----|------|----|---|----|------|

The weighted average remaining life of the outstanding warrants as a September 30, 2021 is 1.69 years (June 30, 2021 – 1.94 years).

e. Finder's warrants

| Expiry date | Exercise price (\$) | June 30, 2021 | Issued | Expired | September 30, 2021 |
|--------------------|----------------------------|----------------------|---------------|----------------|---------------------------|
| June 8, 2023 | 0.18 | - | 374,146 | - | 374,146 |
| | | - | 374,146 | - | 374,146 |

Weighted average

| | | | | | | | | |
|----------------|----|---|----|------|----|---|----|------|
| exercise price | \$ | - | \$ | 0.18 | \$ | - | \$ | 0.18 |
|----------------|----|---|----|------|----|---|----|------|

The weighted average remaining life of the outstanding finder's warrants as a September 30, 2021 is 1.69 years (June 30, 2021 – 1.94 years).

VISIONARY GOLD CORP.

(Formerly Galileo Exploration Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian dollars; Unaudited)

8. GENERAL AND ADMINISTRATIVE EXPENSES

The components of general and administrative expenses are as follows:

| For the three months ended | September 30, 2021 | September 30, 2020 |
|----------------------------|-----------------------|-----------------------|
| Investor relations | \$ 44,931 | \$ 4,885 |
| Other | 12,797 | 5,337 |
| Professional fees | 90,749 | 85,934 |
| Regulatory and filing fees | 11,180 | 5,022 |
| Insurance | 6,790 | - |
| | <u>\$ 166,447</u> | <u>\$ 101,178</u> |

9. RELATED PARTY TRANSACTIONS

Payments to related parties were made in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due to or from related parties are unsecured, non-interest bearing and due on demand. All outstanding balances are unsecured, and there are no commitments or guarantees associated with the outstanding balances.

Key management personnel compensation includes all compensation paid to executive management and members of the board of directors of the Company.

Related party liabilities

| | Services / Loans | Three months ended | | As at | |
|---|---|-----------------------|-----------------------|-----------------------|------------------|
| | | September 30, 2021 | September 30, 2020 | September 30, 2021 | June 30, 2021 |
| Amounts due to: | | | | | |
| Director, Chairman ^(b) | Management fees | \$Nil | \$Nil | \$ 50 | \$ 50 |
| Director, Chief Executive Officer ^(a) | Consulting fees and expense reimbursement | \$Nil | \$Nil | \$ 1,344 | \$ 1,308 |
| Directors & officers | Share-based payment | \$ 81,249 | \$Nil | \$Nil | \$Nil |
| A private company where the Chief Financial Officer of the Company is a senior officer ^(c) | Accounting and management fees | \$ 15,000 | \$Nil | \$ 5,000 | \$ 15,750 |
| A private company owned by a director | Consulting fees | \$Nil | \$Nil | \$Nil | \$Nil |
| TOTAL: | | \$ 96,249 | \$Nil | \$ 6,394 | \$ 17,108 |

(a) Wes Adams was appointed as the Interim Chief Financial Officer effective June 26, 2018 and Chief Executive Officer effective December 1, 2020. Mr. Adams advanced US\$40,000 to the Company on September 5, 2018 which was non-interest bearing without specific terms of repayment. On September 29, 2020, the amount owing was settled with common shares (see Note 5).

(b) John Kanderka was appointed as the Interim Chief Executive Officer effective June 26, 2018 and Chairman of the Board of Directors effective December 1, 2020.

(c) Robert Doyle was appointed as the Chief Financial Officer effective December 1, 2020.

VISIONARY GOLD CORP.**(Formerly Galileo Exploration Ltd.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian dollars; Unaudited)

10. PREPAID EXPENSES AND DEPOSITS

As of September 30, 2021, the Company had \$44,944 (June 30, 2021 - \$44,988 in prepaid expenses and deposits.

| | September 30, | June 30, |
|--------------------|----------------------|------------------|
| | 2021 | 2021 |
| Investor relations | \$ 15,972 | \$ 12,222 |
| Insurance | 14,141 | 17,935 |
| Advisory services | 12,500 | 12,500 |
| Deposits | 2,331 | 2,331 |
| | <u>\$ 44,944</u> | <u>\$ 44,988</u> |

11. FINANCIAL INSTRUMENTS

The fair value of the Company's cash, accounts payable and accrued liabilities and shareholders' loans approximate their carrying values due to their current nature.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and commodity price risk.

(a) Currency risk

The Company's property interests in the United States made it subject to foreign currency fluctuations and inflationary pressures which may have adversely affected the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks. As at September 30, 2021, accounts payable and accrued liabilities included accounts totaling approximately US\$47,400.

(b) Credit risk

The Company's cash is held in a Canadian financial institution.

On a monthly basis, the Company receives a joint interest billing from operator 2. To the extent that the Company's cumulative share or petroleum revenue exceeds (is less than) the related operating expenses, the Company has a receivable from (a payable to) operator 2. As at September 30, 2021, prepaid expenses and deposits included \$2,331 (June 30, 2021- \$2,331) receivable from operator 2.

Accordingly, the Company believes it is not exposed to significant credit risk.

VISIONARY GOLD CORP.

(Formerly Galileo Exploration Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian dollars; Unaudited)

11. FINANCIAL INSTRUMENTS *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and periodic financial support from management. Accounts payable and accrued liabilities and two of the shareholders' loans are due within the current operating year. As at September 30, 2021, the Company had cash of approximately \$1,948,773 to meet these obligations.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest bearing debt.

(e) Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties and the level of spending for future activities. Prices received by the Company for its share of petroleum production are largely beyond the Company's control as oil and gas prices are impacted by world economic events that dictate the levels of supply and demand. A 1% change in price will increase/decrease net income (loss) by an immaterial amount.

The Company did not have any commodity price contracts in place as at or during the three months ended September 30, 2021.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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 value 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 market place.

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

The following table sets forth the Company's financial assets classified as subsequently measured at amortized cost as at September 30, 2021 and June 30, 2021.

| As at September 30, 2020 | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|--------------|
| Assets: | | | | |
| Cash | \$ 1,948,773 | \$ - | \$ - | \$ 1,948,773 |
| Reclamation bond | 58,191 | - | - | 58,191 |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 152,664 | \$ - | \$ - | \$ 152,664 |
| Restoration provision | 4,005 | - | - | 4,005 |

VISIONARY GOLD CORP.

(Formerly Galileo Exploration Ltd.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian dollars; Unaudited)

11. FINANCIAL INSTRUMENTS *(continued)*

| As at June 30, 2021 | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|--------------|
| Assets: | | | | |
| Cash | \$ 3,191,190 | \$ - | \$ - | \$ 3,191,190 |
| Reclamation bond | 56,606 | - | - | 56,606 |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 229,994 | \$ - | \$ - | \$ 229,994 |
| Shareholders' loans | - | - | - | - |
| Restoration provision | 4,005 | - | - | 4,005 |

There has been no change between Levels during the period.

12. MANAGEMENT OF CAPITAL RISK

The Company manages its shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral and oil and gas properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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, issue new debt, acquire or dispose of assets or adjust the amount of cash and short-term investments.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company is not subject to any externally imposed capital restrictions. There has been no change in the Company's capital management during the period.

13. SEGMENTED INFORMATION

The Company operates in two industry segments, being petroleum and natural gas production and acquisition and exploration of mineral properties. The Company's assets and liabilities are held with Canada and USA as follows:

| | September 30, 2021 | | |
|-----------------------------------|---------------------------|------------|--------------|
| | Canada | USA | Total |
| Current assets | \$ 1,972,846 | \$ 36,260 | \$ 2,009,106 |
| Exploration and evaluation assets | - | 1,712,761 | 1,712,761 |
| Reclamation bond | - | 58,191 | 58,191 |
| Total liabilities | 156,443 | 60,381 | 216,824 |

| | June 30, 2021 | | |
|-----------------------------------|----------------------|------------|--------------|
| | Canada | USA | Total |
| Current assets | \$ 3,170,182 | \$ 77,781 | \$ 3,247,963 |
| Exploration and evaluation assets | - | 696,287 | 696,287 |
| Reclamation bond | - | 56,606 | 56,606 |
| Total liabilities | 235,417 | 58,737 | 294,154 |