GOLDEN CARIBOO RESOURCES LTD.

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

SEPTEMBER 30, 2019

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Golden Cariboo Resource Ltd.

Opinion

We have audited the financial statements of Golden Cariboo Resources Ltd. (the "Company"), which comprise the statements of financial position as at September 30, 2019 and 2018, and the statements of income (loss) and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel*.*

DMCL

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

January 28, 2020

MOORE

An independent firm
associated with Moore
Global Network Limited

GOLDEN CARIBOO RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)

		September 30, 2019		September 30, 2018
ASSETS				
Current				
Cash	**$**	**1,837**	$	86,718
Receivable		**-**		1,168
Prepaid expense		**5,000**		-
Deposits (Note 9)		**-**		35,000
Investments (Note 4)		**21,500**		355,443
		28,337		478,329
Reclamation bond (Note 5)		**35,000**		-
Deposit (Note 11)		**220,123**		-
Exploration and evaluation assets (Note 6)		**407,000**		-
	$	**690,460**	$	478,329
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Trade payables (Note 11)	**$**	**32,022**	$	85,620
Accrued liabilities (Note 11)		**20,000**		17,472
		52,022		103,092
Shareholders' equity				
Share capital (Note 7)		**12,162,480**		11,862,480
Reserve (Note 7)		**1,758,547**		1,701,997
Other comprehensive income		**-**		126,793
Deficit		**(13,282,589)**		(13,316,033)
		638,438		375,237
	$	**690,460**	$	478,329

Nature and continuance of operations (Note 1)
Contingency (Note 8)

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

GOLDEN CARIBOO RESOURCES LTD.
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year ended September 30, 2019	Year ended September 30, 2018
EXPENSES		
Consulting (Note 11)	**$ 73,000**	$ 63,000
Exploration	**4,100**	18,922
Office and miscellaneous	**16,306**	19,341
Professional fees (Note 11)	**31,466**	34,890
Stock based compensation (Note 7)	**56,550**	-
Transfer agent and regulatory fees	**10,974**	18,409
Travel and promotion	**6,791**	33,205
	(199,187)	(187,767)
OTHER ITEMS		
Loss on foreign currency	**-**	(78)
Write off of payables	**75,097**	375,888
Gain (loss) on sale of investments (Note 4)	**28,741**	(39,046)
Unrealized gain on investments (Note 4)	**2,000**	-
	105,838	336,764
Net income (loss) for the year	**(93,349)**	148,997
OTHER COMPREHENSIVE INCOME		
Unrealized loss on investments (Note 4)	**-**	(396,237)
Comprehensive income (loss) for the year	**$ (93,349)**	$ (247,240)
Basic and diluted earnings (loss) per common share	**$ (0.01)**	$ 0.01
Basic and diluted weighted average number of common shares outstanding	**19,541,091**	16,891,776

The accompanying notes are an integral part of these financial statements

GOLDEN CARIBOO RESOURCES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital										
	Common Shares		**Amount**		**Deficit**		**Reserve**		**Other Comprehensive Income**		**Total Shareholders' Equity**
Balance, September 30, 2017	13,850,680	$	11,612,480	$	(13,465,030)	$	1,701,997	$	523,030	$	372,477
Issue of shares for cash - Private Placement (Note 7)	5,000,000		250,000		-		-		-		250,000
Net income for the year	-		-		148,997		-		-		148,997
Change in value of investments (Note 4)	-		-		-		-		(396,237)		(396,237)
Balance, September 30, 2018	18,850,680		11,862,480		(13,316,033)		1,701,997		126,793		375,237
Balance, October 1, 2018	18,850,680		11,862,480		(13,316,033)		1,701,997		126,793		375,237
Shares issued for exploration and evaluation assets (Notes 6 and 7)	6,000,000		300,000		-		-		-		300,000
Share-based compensation (Note 7)	-		-		-		56,550		-		56,550
Reallocation of opening accumulated loss on investments per adoption of IFRS 9 (Note 3)	-		-		126,793		-		(126,793)		-
Net loss for the year	-		-		(93,349)		-		-		(93,349)
Balance, September 30, 2019	**24,850,680**	**$**	**12,162,480**	**$**	**(13,282,589)**	**$**	**1,758,547**	**$**	**-**	**$**	**638,438**

The accompanying notes are an integral part of these financial statements

GOLDEN CARIBOO RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended September 30 2019	Year ended September 30 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	**$ (93,349)**	$ 148,997
Items not affecting cash:		
(Gain) loss on sale of investments	**(28,741)**	39,046
Unrealized gain on investments	**(2,000)**	-
Write off of payables	**(75,097)**	(375,888)
Stock based compensation	**56,550**	-
Changes in non-cash working capital items:		
Receivables	**1,168**	15,517
Prepaids	**(5,000)**	-
Deposits	**-**	(35,000)
Accounts payable and accrued liabilities	**24,027**	(330)
Net cash used in operating activities	**(122,442)**	(207,658)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation asset costs	**(107,000)**	-
Deposits	**(220,123)**	-
Proceeds from sale of investment, net	**360,420**	30,052
Net cash provided by investing activities	**37,561**	30,052
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from share issuances, net of finders fees	**-**	250,000
Net cash provided by financing activity	**-**	250,000
Increase (decrease) in cash during the year	**(84,881)**	72,394
Cash, beginning of year	**86,718**	14,324
Cash, end of year	**$ 1,837**	$ 86,718

Supplemental disclosure with respect to cash flows:

During the year ended September 30, 2019, the Company issued common shares for the acquisition of exploration and evaluation assets with a fair value of $300,000.

During the year ended September 30, 2019, the Company adjusted its value of investment through other comprehensive income by $Nil (2018 - $(396,237)).

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated in under the *Business Corporations Act* (British Columbia) on September 23, 1987. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties. The Company's head office, principal address and registered records office is located at 804 – 750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T7.

The Company's financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Several conditions cast doubt on the validity of this assumption. The Company has incurred ongoing losses and has an accumulated deficit. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments would be material. The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition and exploration of exploration and evaluation assets, is dependent on the Company's ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and acquire mineral properties. The outcome of these matters cannot be predicted at this time. The Company has incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance

These 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 interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They have been prepared on a historical cost basis, except for certain financial instruments which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted.

Approval of the financial statements

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on January 28, 2020.

Comparative figures

Certain comparative figures may have been reclassified to conform with the current presentation.

2. BASIS OF PRESENTATION (continued)

New or revised accounting standards not yet adopted

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16 - In January 2016, the IASB issued IFRS 16, Leases which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not entered into any leases and does not believe the new standard will have a material effect on its financial statements.

The Company anticipates that the application of the above new or revised standards, amendments and interpretations will have no material impact on its results and financial position. Disclosure changes are anticipated. Other standards issued by not yet effective were determined to not have an effect on the Company's financial statements.

Critical accounting estimates and judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

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

i) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

ii) The recorded value of provision. This amount represents a best estimate of the probable amount payable taking into account available evidence including past history of payments and uncertainty of outflow of future resources.

iii) The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty.

3. SIGNIFICANT ACCOUNTING POLICIES

Exploration and evaluation assets

All costs related to the acquisition of exploration and evaluation assets are capitalized on a property by property basis, net of recoveries. Exploration and evaluation costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are expensed to operations as incurred. If economically recoverable ore reserves are developed, capitalized costs of the related property are classified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time, the Company may acquire or dispose of an exploration and evaluation asset 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 are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale of an option of the Company's property are recorded as a reduction of the mineral property cost. The Company recognizes amounts received in excess of the carrying amount in profit or loss.

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Evaluation and exploration assets are assessed for impairment by management when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

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

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible assets

The Company's tangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company computes the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings 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 purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Share-based payments

The Company grants options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

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

Deferred tax assets and liabilities and the related deferred tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Flow-through shares

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company’s common shares is initially recorded as a flow-through premium liability and included as a liability. Upon related expenditures being incurred, the Company proportionately derecognizes the liability and recognizes the offsetting amount in profit or loss.

Financial instruments

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

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at October 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Classification (continued)

Financial asset / liability	**Original classification IAS 39**	**New classification IFRS 9**
Cash	FVTPL	FVTPL
Receivables	Amortized cost	Amortized cost
Investments	Available for sale (FVTOCI)	FVTPL
Trade payables	Amortized cost	Amortized cost

Upon adoption of IFRS 9, the Company elected to classify investments as FVTPL. The Company did not restate prior periods, but recognized the effects of retrospective application to shareholders' equity at the beginning of the 2019 annual reporting period that includes the date of initial application. Therefore, the adoption of IFRS 9 resulted in a decrease to the opening accumulated deficit on October 1, 2018 of $126,793 with a corresponding adjustment to other comprehensive income.

(ii) Measurement

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

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

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised 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 recognised in OCI and are never reclassified to profit or loss.

(iii) 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 the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. 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.

4. INVESTMENTS

Investments consist of common shares of Barkerville Gold Mines Ltd. ("Barkerville").

	September 30, 2019		September 30, 2018	
	Number of shares	**Market Value**	Number of shares	Market Value
Barkerville	**50,000**	**$21,500**	911,393	$355,443

During the year ended September 30, 2019, the Company sold 861,893 common shares of Barkerville for net proceeds of $360,420 recognizing a gain on sale of shares of $28,741. The Company recognized an unrealized market-to-market gain of $2,000 on the statement of loss.

During the year ended September 30, 2018, the Company sold 43,000 common shares of Barkerville for net proceeds of $30,052 recognizing a loss on sale of share of $39,046. The Company recognized an unrealized market-to-market loss of $396,237 to other comprehensive loss.

5. RECLAMATION BONDS

The Company has a reclamation bond held in trust by the Ministry of Energy and Mines, British Columbia. As at September 30, 2019, the reclamation bonds consisted of a deposit of $35,000 made by the Company for indemnification of site restoration of the Company's Hixon property (Note 6).

6. EXPLORATION AND EVALUATION ASSETS

Quenelle Gold Quartz Mine property acquisition costs:	
September 30, 2018	$ -
Acquisition costs	407,000
September 30. 2019	$ 407,000

6. EXPLORATION AND EVALUATION ASSETS (continued)

Quenelle Gold Quartz Mine property, B.C.

On May 25th, 2019, the Company signed an option to purchase agreement with Standard Drilling and Engineering Ltd. ("Vendor"), a company controlled by a major shareholder, in which the Company could purchase the Property through the following commitments:

- Issuance of 6,000,000 shares of the Company (issued with a fair value of $300,000) and payment of $27,000 cash (paid) on exchange approval of the agreement to the vendor of the property;
- Payment of $80,000 cash on or before September 30, 2019 (paid) to the titleholders of the underlying claims;
- Payment of $80,000 cash on or before July 22, 2020 to the titleholders of the underlying claims; and
- Payment of $80,000 cash on or before July 22, 2021 to the titleholders of the underlying claims.

If the payments are not made or if the Company wishes to cancel the agreement with 60 days notice, the Company will ensure the property good-to-date is at least 12 months ahead of the termination notice date with no fees against and no refund by the Vendor.

The Quenelle Gold Quartz Mine property (the "Property") is made up of 8 mineral claims located in the Cariboo Mining Division of British Columbia, 4 km northeast of Hixon, B.C.

7. SHARE CAPITAL

Authorized:

Unlimited common shares without par value

Issued:

On August 19, 2019, the Company issued 6,000,000 common shares pursuant to an option to purchase agreement with a fair value of $300,000 (Note 6).

During the year ended September 30, 2018, the following private placement was completed:

On February 20, 2018 the Company closed a private placement for 5,000,000 units at a price of $0.05 for total proceeds of $250,000. Each unit consisted of one common share and one non-transferable share purchase warrant, with each warrant exercisable for a period of two years at a price of $0.075 per share.

Options:

The Company has a rolling stock option plan (the "Plan") that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant, subject to a minimum exercise price of $0.05 per share. Options granted under the Plan will have a term not to exceed five years and be subject to vesting provisions as determined by the board of directors of the Company.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

Option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, September 30, 2017 and 2018	-	$ -
Granted	1,885,000	0.05
Outstanding and exercisable, September 30, 2019	1,885,000	$ 0.05

As at September 30, 2019, the following options were outstanding:

Number of options	Exercise price	Expiry dates
1,885,000	$ 0.05	January 17, 2021

The weighted average price of outstanding options is $0.05 (September 30, 2018 – Nil) and the weighted average life of outstanding options is 1.30 years (September 30, 2018 – Nil).

The stock based compensation expense recognized during the year ended September 30, 2019 was $56,550 (2018 - $Nil). The weighted average fair value of each stock option granted during the year ended September 30, 2019 was $0.03 (2018 - $Nil), calculated using the Black-Scholes Option Pricing Model on the grant date using the following weighted average assumptions:

	2019
Risk-free interest rate	1.94%
Expected life of option	2 years
Expected dividend yield	0%
Expected stock price volatility	135%

Warrants:

Warrants transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, September 30, 2017	-	$ -
Issued	5,000,000	$ 0.075
Outstanding and exercisable, September 30, 2018 and 2019	5,000,000	$ 0.075

As at September 30, 2019, the following share purchase warrants were outstanding:

Number of warrants	Exercise price	Expiry dates
5,000,000	$ 0.075	February 21, 2020

7. SHARE CAPITAL (continued)

The weighted average price of outstanding warrants at September 30, 2019 is $0.075 (September 30, 2018 – $0.075) and the weighted average life of outstanding warrants is 0.39 years (September 30, 2018 – 1.39).

Reserve:

The reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

8. CONTINGENCY

The Company has been named in a writ to a group of companies and individuals from a self-represented plaintiff claiming unspecified damages. The Company has not yet been served with the writ. The Company believes this action is without merit.

9. DEPOSITS

During the year ended September 30, 2018, the Company deposited $35,000 with the Ministry of Energy, Mines and Petroleum Resources pertaining to the reclamation of the Hixon property in British Columbia. During the current year the property was acquired and the deposit was reclassified as a reclamation bond (Note 5).

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables, investments and trade payables. Cash and investments have been designated as FVTPL, receivables as amortized cost, and trade payables are designated at amortized cost. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments. Cash and investments are valued at level 1 of the fair value hierarchy.

The Company is exposed to a variety of financial risks by virtue of its activities including credit, interest rate, liquidity and other price risk. There has been no change in the way management managed these risks for the year.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The cash is held in a large Canadian financial institution, which has a strong credit rating from a primary credit rating institution. Credit risk on cash is assessed as low. There is nominal risk associated with receivables as this is due primarily from a government agency.

b) 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.

(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.

Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2019. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity issuances. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms. The Company is exposed to liquidity risk.

d) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

11. RELATED PARTY TRANSACTIONS

a) The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel, such personnel include the Company's Directors, Chief Executive Officer, Chief Financial Officer and Corporate Secretary:

		2019		2018
Consulting fees	**$**	**60,000**	$	60,000
Professional fees		**6,000**		8,250
Total	**$**	**66,000**	$	68,250

Key management personnel were not paid any post-employment benefits, termination benefits, or other long-term benefits during the respective years.

b) At September 30, 2019 the long term deposit of $220,123 (2018 - $Nil) consists of an advance to a company controlled by a major shareholder. The balance will be applied against future transactions with this company that are currently under negotiation.

c) Included in accrued liabilities at September 30, 2019 is $20,000 (2018 - $13,000) due to an officer and included in trade payables is $2,548 (2018 - $802) due to a major shareholder. These amounts are unsecured, non-interest bearing with no repayment terms.

d) The Company acquired the Quesnelle Gold Quartz near Hixon British Columbia from a company controlled by a significant shareholder of the Company (Note 6).

(Expressed in Canadian Dollars)

12. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

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 due to uncertain economic conditions. The Company is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the year.

13. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% (2018 - 27%) to income before income taxes. The reasons for the differences are as follows:

		2019		2018
Income (loss) for the year	$	**(93,349)**	$	148,997
Statutory income tax rate		**27%**		27%
Expected income tax (recovery)	$	**(25,000)**	$	40,000
Permanent difference		**16,000**		-
Other		**13,000**		(47,000)
Adjustment to prior year provision versus statutory tax returns		**(100,000)**		(142,000)
Change in unrecognized benefit of deferred tax assets		**96,000**		149,000
Income tax (recovery)	$	**-**	$	-

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

		2019		2018
Exploration and evaluation assets	$	**853,000**	$	853,000
Marketable securities		**2,000**		43,000
Allowable capital losses		**144,000**		106,000
Non-capital loses available for future period		**744,000**		645,000
Unrecognized deferred tax assets	$	**1,743,000**	$	1,647,000

The Company has non-capital losses of approximately $2,754,000 that may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire 2026 through 2039. Exploration and evaluation assets, property and equipment and net capital losses have no expiry date. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize these benefits.