AVARONE METALS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended October 31, 2020 and 2019

(Expressed in Canadian Dollars)

AVARONE METALS INC.

Condensed Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

Three months ended October 31, 2020 and 2019

		October 31, 2020		July 31, 2020
ASSETS				
Current				
Cash	$	1,455	$	2,780
Accounts receivable		846		1,945
Prepaid expenses		419		838
		2,720		5,563
Non-current				
Property and Equipment (note 4)		236,237		254,375
	$	**238,957**	**$**	**259,938**
LIABILITIES				
Current				
Accounts payable and accrued liabilities (note 6)	$	571,157	$	526,667
Note payable (notes 7 and 11)		170,100		170,100
Loans payable (note 8)		155,000		155,000
Lease obligation - short-term (note 12)		79,350		78,660
		975,607		930,427
Non-current				
Loans payable (note 8)		21,104		20,101
Lease obligation - long-term (note 12)		96,593		111,959
		117,697		132,060
SHAREHOLDERS' DEFICIENCY				
Share capital (note 9)		14,888,929		14,888,929
Share subscriptions (notes 8 and 9)		24,300		24,300
Reserve (note 9)		756,595		756,595
Deficit		(16,524,171)		(16,472,373)
		(854,347)		(802,549)
	$	**238,957**	**$**	**259,938**

Subsequent Events (note 16)

On behalf of the Board:

"Marc Levy" Director   "John Bean" Director

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

AVARONE METALS INC.

Condensed Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

Three months ended October 31, 2020 and 2019

	Three months ended Ocober 31, 2020	2019
Expenses		
General and administrative		
Depreciation (note 4)	$ 18,137	$ 96
Management fees (note 11)	22,500	42,500
Office costs	682	2,240
Professional fees	7,500	9,500
Regulatory and transfer agent	2,250	2,311
Share-based payments (note 9)	-	51,176
Travel, promotion and shareholder communication	-	1,024
Salaries and benefits (note 11)	-	21,539
Rent (note 11)	-	7,755
	(51,069)	(138,141)
Other items:		
Government assistance	-	-
Other income	13,128	-
Finance and other costs (notes 8 and 10)	(13,858)	(7,350)
Net loss and comprehensive loss for the period	**$ (51,799)**	**$ (145,491)**
Loss per common share, basic and diluted	**$ (0.00)**	**$ (0.00)**
Weighted average number of common shares outstanding, basic and diluted	**91,414,994**	**90,005,574**

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

AVARONE METALS INC.

Condensed Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars)

Three months ended October 31, 2020 and 2019

		Share capital			Reserve		
	Notes	Common shares	Amount	Share subscriptions	Stock options and warrants	Deficit	Total shareholders' deficiency
		#	$	$	$	$	$
Balance as at July 31, 2019		**89,871,661**	**14,739,256**	**24,300**	**706,888**	**(16,082,387)**	**(611,944)**
Exercise of stock options	9	-	-	-	-	-	-
Fair value of stock options exercised	9	-	-	-	-	-	-
Exercise of warrants	9	160,000	8,000	-	-	-	8,000
Fair value of warrants exercised	9	-	1,600	-	(1,600)	-	-
Share-based payments	9	-	-	-	45,172	-	45,172
Fair value of options vested	9	-	-	-	6,004	-	6,004
Loss for the period		-	-	-	-	(145,491)	(145,491)
Balance as at October 31, 2019		**90,031,661**	**14,748,856**	**24,300**	**756,464**	**(16,227,878)**	**(698,258)**
Exercise of stock options	9	1,383,000	77,480	-	-	-	77,480
Fair value of stock options exercised	9	-	62,593	-	(62,593)	-	-
Share-based payments	9	-	-	-	57,862	-	57,862
Fair value of options vested	9	-	-	-	4,862	-	4,862
Loss for the period		-	-	-	-	(244,494)	(244,494)
Balance as at July 31, 2020		**91,414,661**	**14,888,929**	**24,300**	**756,595**	**(16,472,372)**	**(802,548)**
Loss for the period		-	-	-	-	(51,799)	(51,799)
Balance as at October 31, 2020		**91,414,661**	**14,888,929**	**24,300**	**756,595**	**(16,524,171)**	**(854,347)**

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

AVARONE METALS INC.

Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

Three months ended October 31, 2020 and 2019

		Three months ended October 31,		
		2020		**2019**
Operating activities:				
Net loss for the period	$	(51,798)	$	(145,491)
Items not involving cash:				
Finance costs		7,350		7,350
Depreciation		18,138		96
Fair value of vested options		-		6,004
Share-based payments		-		45,172
		(26,311)		(86,869)
Changes in working capital:				
Accounts receivable		1,099		17,167
Prepaid expenses		419		(1,142)
Accounts payable and accrued liabilities		37,140		27,726
		12,348		(43,118)
Financing activities:				
Exercise of warrants		-		8,000
Proceeds from loans		1,003		5,000
Repayment of lease liabilities		(14,676)		-
		(13,673)		13,000
Change in cash		(1,325)		(30,118)
Cash, beginning		2,780		48,040
Cash, end	$	1,455	$	17,922

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

1. Nature of Operations and Going Concern

The Company was incorporated under the laws of the Province of British Columbia on November 3, 1993. The Company's shares are listed on the Canadian Securities Exchange ("Exchange" or "CSE") under the symbol "AVM".

The head office and principal address of the Company are located at Suite 610 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company's records office and registered office address is located at Suite 700 – 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

The Company is in the process of looking for resource properties to explore and has not yet identified any properties that contain established mineral reserves that are economically recoverable. The Company's ability to continue as a going concern is dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, exploration and development of resource properties, the discovery of economically recoverable reserves and upon future profitable production or proceeds from disposition of the Company's resource properties. As a resource company in the exploration stage, the ability of the Company to complete its acquisition, exploration and development will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

These condensed consolidated financial statements have been prepared using accounting policies applicable to a going concern which contemplate the realization of assets and settlement of liabilities in the normal course of business. At October 31, 2020, the Company had not yet achieved profitable operations, had accumulated losses of $16,524,171 (2020 - $16,472,373), a working capital deficit of $972,887 (2020 - $924,864) and expects to incur further losses in the development of its business. The Company will be required to raise additional capital in order to fund future exploration and evaluation activity and meet its working capital requirements. While the Company has been successful in the past, there is no assurance that it will be able to obtain adequate financing or that such financing will be available on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities. These material uncertainties may cast significant doubt on the entity's ability to continue as a going concern.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company is not currently determinable, but management continues to monitor the situation.

These condensed consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments other than the normal course of operations, and at amounts different from those in the accompanying consolidated financial statements.

2. Significant Accounting Policies

The condensed consolidated financial statements were authorized for issue on December 24, 2020 by the Directors of the Company.

Statement of compliance with International Financial Reporting Standards

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") 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"). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended July 31, 2020.

The condensed consolidated interim financial statements do not include all the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended July 31, 2020.

(Unaudited - Expressed in Canadian Dollars)

3. Deposit

The deposit consists of a security deposit for the Company's leased office space (Note 4). During the year ended July 31, 2020, the lease deposit was capitalized with the right-of-use asset as per the Company's accounting policy. (Note 12).

4. Property and Equipment

	Building[1]	Office equipment	Total
Cost:	$	$	$
Balance, July 31, 2020	322,085	42,314	364,399
Addition	-	-	-
Balance, October 31, 2020	322,085	42,314	364,399
Accumulated depreciation:			
Balance, July 31, 2020	69,240	32,585	101,825
Depreciation	18,060	77	18,137
Balance, October 31, 2020	87,300	32,662	119,962
Impairment:			
Balance, October 31, 2020	-	8,200	8,200
Net book value:			
July 31, 2020	252,845	1,529	254,374
October 31, 2020	234,785	1,452	236,237

(Unaudited - Expressed in Canadian Dollars)

5. Exploration and Evaluation Expenditures

Exploration expenditures have been expensed as incurred in accordance with the Company's accounting policy for exploration and evaluation costs. During the period ended October 31, 2020, expenditures incurred by the Company on the properties was $Nil (2020 - $Nil).

(a) Wildnest and Phantom Lake Properties

The Company entered into an option agreement with Ray-Dor Resources Ltd. (the "Optionor") dated November 15, 2012, as amended on October 28, 2013 and November 24, 2014, ("Agreement"), pursuant to which it has been granted an option to acquire a 100% interest in seven mineral claims known as the Wildnest and Phantom Lake gold properties located in the Flin Flon area of Manitoba and Saskatchewan (the "Claims").

Under the terms of the Agreement, the Company may earn a 100% interest by completing the following: making cash payments of $32,500 ($7,500 paid) over four years; and issuing 450,000 common shares (400,000 shares issued) of the Company over three years, in accordance with the schedule below. In addition, the Company is required to complete exploration programs totaling $850,000 over a five year period. The option agreement is in default since December 2015 as required payments were not made.

Date	Cash	Common shares	Exploration Expenditures
	$	#	$
Upon Exchange approval	2,500 (paid)	50,000 (issued)	-
On or before November 7, 2013	-	200,000 (issued)	-
On or before June 21, 2014	5,000 (paid)	-	-
On or before December 21, 2014	-	150,000 (issued)	
On or before December 21, 2015	10,000*	50,000*	16,515
On or before December 21, 2016	15,000**	-	50,000**
On or before December 21, 2017	-	-	150,000***
On or before December 21, 2018	-	-	200,000****
On or before December 21, 2019	-	-	433,485
Totals	32,500	450,000	850,000

*As at October 31, 2020, the Company had not made the $10,000 payment or issued the 50,000 common shares due on December 21, 2015, and the option agreement is in default.
** On December 21, 2016 the Company failed to make the cash payment of $15,000 or incur $50,000 of exploration expenditures as required under the option agreement for the Wildnest and Phantom Lake Properties.
*** On December 21, 2017 the Company failed to incur $150,000 of exploration expenditures as required under the option agreement for the Wildnest and Phantom Lake Properties.
**** On December 21, 2018, the Company failed to incur $200,000 of exploration expenditures as required under the option agreement for the Wildnest and Phantom Lake Properties.

The Claims are subject to a 2% net smelter royalty (NSR), of which, 50% of the NSR or 1% NSR may be acquired by the Company at any time for $500,000.

(Unaudited - Expressed in Canadian Dollars)

6. Accounts payable and accrued liabilities

	October 31, 2020	July 31, 2020
	$	$
Accounts payable	32,589	21,116
Due to related parties (Note 11)	384,375	361,872
Accrued interest on loans (Note 8)	99,653	91,441
Other accruals	51,237	51,237
Other payables	1,000	1,000
	568,854	526,666

7. Note payable

	October 31, 2020	July 31, 2020
	$	$
Amounts due to related parties	170,100	170,100

The note payable is unsecured, due on demand and bears no interest.

8. Loans payable

	October 31, 2020	July 31, 2020
	$	$
Loan payable - CEBA	21,104	20,101
Promissory notes	155,000	155,000
	176,104	175,101

During the year ended July 31, 2017, the Company issued two promissory notes. The first promissory note, for $60,000, was due August 8, 2017, and bears interest at 18%. As the note was not paid by the due date, the interest rate increased to 24% from that date forward. Total interest accrued on the promissory note at October 31, 2020 is $52,057 (July 31, 2020 - $48,427) and is included in accrued liabilities. As additional consideration for the loan, the Company must issue to the lender $12,000 in common shares of the Company. The shares have not been issued as at October 31, 2020 and are included in share subscriptions.

The second promissory note, for $16,500, was due September 30, 2017, and bears interest at 18%. As the note was not paid by the due date, the interest rate increased to 24% from that date forward. Total interest accrued on the promissory note at October 31, 2020, is $13,746 (July 31, 2020 - $12,478) and is included in accrued liabilities. As additional consideration for the loan, the Company must issue to the lender $3,300 in common shares of the Company. The shares have not been issued as at October 31, 2020 and are included in share subscription.

During the year ended July 31, 2018, a third and fourth promissory note were issued. The third promissory note for $25,000 was issued on October 10, 2017, bears interest at 18% and was due April 10, 2018. As the note was not paid by the due date, the interest rate increased to 24% from that date forward. Total interest accrued on the promissory note at October 31, 2020, is $17,663 (July 31, 2020 - $16,150) and is included in accrued liabilities.

The fourth promissory note for $20,000 was issued on November 27, 2017, bears interest at 18% and was due May 27, 2018. As the note was not paid by the due date, the interest rate increased to 24% from that date forward. Total interest accrued on the promissory note at October 31, 2020, is $13,499 (July 31, 2020 - $12,289) and is included in accrued liabilities. As additional consideration for the loan, the Company must issue to the lender $4,000 in common shares of the Company. The shares have not been issued as at July 31, 2020 and are included in share subscriptions.

8. Loans payable – (continued)

The fifth promissory note for $5,000 was issued on October 11, 2019. The promissory note is non-interest-bearing loan due on demand.

The sixth promissory note for $23,500 was issued on January 21, 2020, bears interest at 12% and is due on demand. Total interest accrued on the promissory note at October 31, 2020 is $2,217 (July 31, 2020 - $1,507).

The seventh promissory note for $5,000 was issued on January 22, 2020, bears interest at 12% and is due on demand. Total interest accrued on the promissory note at October 31, 2020 is $470 (July 31, 2020 - $320).

During the year ended July 31, 2020, as part of the Canadian government funded COVID-19 financial assistance programs, the Company received loans in the amount of $40,000 from the Bank of Montreal (CEBA term loan). The CEBA term loan is due on December 25, 2025. The loan is interest free until December 31, 2022 and bears interest at 5% per annum thereafter. If at least 75% of the loan principal is paid on or before December 31, 2022, the balance of the loan will be forgiven.

The benefit of the government loan received at below market rate of interest is treated as a government grant. The loan was recognized at fair value using the Company's incremental borrowing rate of 18% per annum, totaling $19,201. The difference between the initial carrying amount and proceeds received is the value of the grant of $20,799. The Company recognized in income the value of the grant as it incurred the related expenses for which the grant was intended to compensate. As at July 30, 2020, $20,799 of government grant had been recognized as income in the condensed consolidated statements of loss. During the period ended October 31, 2020, the Company recorded interest of $929 on the loan (July 31, 2020 - $900). The balance of the loan at July 31, 2020 is $21,104.

9. Share Capital and Reserves

(a) Authorized

The Company has authorized an unlimited number of voting common shares without par value.

(b) Issued

At October 31, 2020, there were 91,414,661 issued and fully paid common shares (July 31, 2020 – 91,414,661).

During the period-ended October 31, 2020, there were no share issued by the Company.

Shares Issued during the Year Ended July 31, 2020

During the year ended July 31, 2020, 160,000 share purchase warrants with an exercise price of $0.05 were exercised for proceeds of $8,000. In addition, $1,600, representing the fair value of the warrants determined using the residual value method at the original grant date, was reclassified from warrant reserve to share capital in accordance with the Company's accounting policy.

During the year ended July 31, 2020, 550,000 and 833,000 stock options with an exercise price of $0.05 and $0.06 respectively, were exercised for total proceeds of $77,480. In addition, $62,593, representing the fair value of the options determined using the Black Scholes Option Pricing Model at the original grant date, was reclassified from stock option reserve to share capital in accordance with the Company's accounting policy.

(Unaudited - Expressed in Canadian Dollars)

9. Share Capital and Reserves (continued)

(c) Stock Options

The Company has a stock option plan under which it is authorized to grant options to directors, officers, employees and consultants for up to a maximum of 10% of the issued and outstanding common stock of the Company. The exercise price (less any discounts permitted by regulatory policies and determined by the directors at the time of grant) under each option shall be the market price of the Company's stock at the date of grant. The options have expiry dates of no later than ten years from the date of grant and vest immediately as determined by the Board of Directors or as to 25% on the date of the grant and 12.5% every three months thereafter for a total vesting period of 18 months.

On October 12, 2020, a total of 177,500 stock options with a weighted average exercise price of $0.05 have expired unexercised.

Year Ended July 31, 2020

On August 12, 2019, the Company issued a total of 350,000 incentive stock options at an exercise price of $0.13 to a consultant of the Company. The options are exercisable for a period of 5 years from the date of grant and have a grant date fair value of $45,172 determined by the Black-Scholes Option Pricing Model. These options vested upon grant.

On December 12, 2019, the Company issued a total of 833,000 incentive stock options at an exercise price of $0.13 to a consultant of the Company. The options are exercisable for a period of 5 years from the date of grant and have a grant date fair value of $57,862 determined by the Black-Scholes Option Pricing Model. These options vested upon grant.

During the year ended July 31, 2020, the Company recognized $10,866 in share-based compensation expense for the fair value of options vested in the current year from a prior year grant.

On February 4, 2019, 100,000 stock options at an exercise price of $0.05 were forfeited, on February 18, 2019, 100,000 stock options at an exercise price of $0.05 were forfeited and on February 28, 2019, 300,000 stock options at an exercise price of $0.05 were forfeited. On May 6, 2019, 450,000 stock options at an exercise price of $0.05 were forfeited. The fair value of the 950,000 options at $56,992 was reclassified from reserves to deficit.

Stock option transactions for the period ended October 31, 2020 and year ended July 31, 2020 are as follows:

	Number of Options	Weighted Average Exercise Price
	#	$
Balance, July 31, 2019	5,610,000	0.06
Granted	1,183,000	0.06
Exercised	(1,383,000)	0.06
Forfeited	-	-
Balance, July 31, 2020	5,410,000	0.06
Granted	-	-
Exercised	-	-
Forfeited	(177,500)	0.05
Balance, October 31, 2020	5,232,500	0.06

(Unaudited - Expressed in Canadian Dollars)

9. Share Capital and Reserves (continued)

(c) Stock Options (continued)

Stock options outstanding and exercisable at October 31, 2020 are as follows:

Options Outstanding	Exercise Price	Expiry Date	Options Exercisable
#	$		#
162,500	0.05	April 26, 2022	162,500
250,000	0.09	April 27, 2023	250,000
250,000	0.05	October 15, 2023	250,000
50,000	0.05	January 27, 2024	50,000
500,000	0.05	January 29, 2024	500,000
570,000	0.06	May 16, 2024	570,000
250,000	0.13	July 8, 2024	250,000
350,000	0.13	August 12, 2024	350,000
780,000	0.05	April 23, 2025	780,000
15,000	0.05	February 23, 2026	15,000
425,000	0.08	July 8, 2026	425,000
50,000	0.05	September 19, 2026	50,000
580,000	0.05	December 7, 2026	580,000
750,000	0.05	December 3, 2027	750,000
250,000	0.08	March 6, 2028	250,000
5,232,500			5,232,500

The weighted average remaining contractual life of outstanding options is 4.71 years (July 31, 2020: 4.80 years).

(d) Warrants

Each whole warrant entitles the holder to purchase one common share of the Company.

During the period ended October 31, 2020, there were no share purchase warrant transactions.

Year Ended July 31, 2020

During the year ended July 31, 2020, 160,000 warrants were exercised at a price of $0.05 for gross proceeds of $8,000.

During the year ended July 31, 2020, 1,000,000 warrants with a weighted average exercise price of $0.05 expired unexercised.

(Unaudited - Expressed in Canadian Dollars)

9. Share Capital and Reserves (continued)

(d) Warrants (continued)

Share purchase warrant transactions for the period ended October 31, 2020 and year ended July 31, 2019 are as follows:

	Warrants #	Expiry Date	Weighted Average Exercise Price $
Balance, July 31, 2019	1,500,000		0.073
Exercised	(160,000)	28-Nov-23	0.05
Expired	(1,000,000)	23-Mar-20	0.05
Balance, July 31, 2020	340,000		0.05
Exercised	-		-
Expired	-		-
Balance, October 31, 2020	340,000		0.05

Warrants outstanding at October 31, 2020 are as follows:

	Warrants #	Exercise Price $	Expiry date
	340,000	0.05	November 28, 2023

The weighted average remaining contractual life of the warrants outstanding is 3.08 years

(e) Reserves

Stock options and warrants reserves represent the fair value of stock options or warrants until such time that the stock options and warrants are exercised, at which time the corresponding amount will be transferred to share capital.

(f) Share subscriptions

Share subscriptions consist of shares to be issued for loans payable (note 8).

(Unaudited - Expressed in Canadian Dollars)

10. Finance costs

During the period ended October 31, 2020, the Company incurred $8,212 (July 31, 2020 - $31,457) of interest expense pertaining to the promissory notes.

11. Related Party Transactions

(a) Related Party Transactions

The Company has been reimbursed for expenses from companies having directors and officers in common netted directly against the related expense as represented in the statement of comprehensive loss:

	Three month period ended	
	October 31, 2020	October 31, 2019
	$	$
Office, rent, and administration	29,154	8,750

(b) Compensation of Key Management Personnel

The Company's key management personnel has authority and responsibility for planning, directing and controlling the activities of the Company and consists of its directors, officers, Chief Executive Officer and Chief Financial Officer.

	Three month period ended	
	October 31, 2020	October 31, 2019
	$	$
Management fees	22,500	22,500

Share-based payments are the fair value of options granted and vested to key management personnel under the Company's stock option plan (note 9).

(Unaudited - Expressed in Canadian Dollars)

11. Related Party Transactions – (continued)

(c) Related Party Balances

The following related party amounts were included in accounts payable, accrued liabilities and notes payable:

	October 31, 2020	July 31, 2020
	$	$
A company controlled by an officer of the Company (notes 6 and 7)	585,850	555,475

12. Lease Commitment

On August 1, 2019, a right-of-use ("ROU") asset of $33,120 and lease liability of $33,120 were recognized in accordance with the modified retrospective approach for the Company's office lease, which expired January 31, 2020.

The Company entered into a new office lease on February 1, 2020. The terms and outstanding balances as at October 31, 2020 are as follows:

	October 31, 2020	July 31, 2020
	$	$
Right-of use asset from base rent of office lease repayable in monthly average payments of $6,785 with an interest rate of 10% per annum and a lease end date of January 2024	175,943	190,619
Less: Current portion	(79,350)	(78,660)
Non-current portion	96,593	111,959

The Company is committed to future minimum annual lease payments with respect to office leases expiring January 31, 2024, as follows:

Year	$
2020	12,880
2021	79,810
2022	82,570
2023	17,318
2024	-
Total	192,578

As at October 31, 2020, the Company has a lease deposit of $68,242, which will be applied against the final lease payments due for the lease. The lease deposit is being amortized over the lease term with the ROU asset.

13. Segmented Information

The Company has one operating segment, being the exploration of resource properties and operated in one geographic segment at October 31, 2020 and 2019, with its assets located in North America.

14. Financial Instruments and Risk Management

a) Fair Value of Financial Instruments

As at October 31, 2020, the Company's financial instruments consist of cash, accounts receivable, accounts payable, note payable and loans payable. The carrying values of these financial instruments approximate their fair values because of their short-term nature and/or the existence of market-related interest rates on the instruments.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Cash is classified as Level 1.

(b) Financial Instruments Risk

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

(i) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank and on amounts receivable. The investments are with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. Accounts receivable consists of GST input tax credits receivable from the Government of Canada. Management considers that credit risks related to cash are minimal and credit risks related to accounts receivable are also minimal.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at October 31, 2020, the Company had cash of $1,455 to settle current liabilities of $975,607.

The Company is dependent on the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. There can be no assurance that such financing will be available on terms acceptable to the Company (note 1).

(iii) 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's loans payable bear a fixed interest rate. Management considers interest rate risk to be minimal.

During the period ended October 31, 2020, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

15. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' deficiency as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of resource properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders.

The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the period ended October 31, 2020.

16. Subsequent Events

On November 3, 2020, the Company issued a total of 2,675,000 incentive stock options at an exercise price of $0.08 to the employees and consultants of the Company. The options are exercisable for a period of 5 years from the date of grant and have a grant date fair value of $213,887 determined by the Black-Scholes Option Pricing Model. These options vested upon grant.

Subsequent to the period ended October 31, 2020, the Company received a loan of $14,300, which bears interest at 12% and is due on demand.