BALSAM TECHNOLOGIES CORP.

(formerly Rewardstream Solutions Inc.)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Balsam Technologies Corp. (formerly Rewardstream Solutions Inc.)

Opinion

We have audited the accompanying financial statements of Balsam Technologies Corp. (formerly Rewardstream Solutions Inc.) (the "Company"), which comprise the statement of financial position as at September 30, 2020, and the statements of operations and comprehensive loss, changes in equity (deficiency), and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a net loss and comprehensive loss of $284,538 for the year ended September 30, 2020. As at September 30, 2020, the Company had an accumulated deficit of $18,444,957. As stated in Note 1, the Company's continued existence is dependent upon its ability to raise additional capital and to identify and acquire a suitable business opportunity. Failure to do so would have an adverse effect on the financial position of the Company and its ability to continue as a going concern. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matters

The financial statements of Balsam Technologies Corp. for the year ended September 30, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on February 10, 2020.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Davidson-co.com

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Dylan Connelly.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

January 28, 2021

BALSAM TECHNOLOGIES CORP.
(formerly Rewardstream Solutions Inc.)
STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020 AND 2019
EXPRESSED IN CANADIAN DOLLARS

		2020		2019
ASSETS				
CURRENT ASSETS				
Cash	$	457,930	$	1,221
Accounts receivable		12,211		74,452
Prepaid expenses (Note 7)		-		43,069
Total assets	$	470,141	$	118,742
LIABILITIES AND EQUITY (DEFICIENCY)				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities (Notes 4 and 7)	$	251,208	$	133,319
Loans payable (Note 5)		31,312		-
Total liabilities		282,520		133,319
EQUITY (DEFICIENCY)				
Share capital (Note 6)		16,483,003		15,996,267
Share-based compensation reserve (Note 6)		1,860,580		1,860,580
Warrant reserve (Note 6)		288,995		288,995
Deficit		(18,444,957)		(18,160,419)
Total equity (deficiency)		187,621		(14,577)
Total liabilities and shareholders' equity	$	470,141	$	118,742

Nature of business and continuance of operations (Note 1)
Subsequent events (Note 12)

Approved and authorized by the Board of Directors:

"Joel Shacker"
Joel Shacker, Director

"Geoff Balderson"
Geoff Balderson, Director

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

BALSAM TECHNOLOGIES CORP.
(formerly Rewardstream Solutions Inc.)
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
EXPRESSED IN CANADIAN DOLLARS

	2020	2019
		(Note 11)
EXPENSES		
Consulting fees (Note 7)	$ 205,300	$ 548,256
Interest and bank charges (Note 5)	1,448	277
Office and miscellaneous	5,677	23,574
Professional fees	29,036	160,743
Property investigation cost	-	36,681
Rent	11,000	51,191
Transfer agent and filing fees	29,128	17,214
Travel expenses	4,256	50,421
	285,845	888,357
Net loss before other item	(285,845)	(888,357)
OTHER ITEM		
Interest income	1,307	-
Net loss and comprehensive loss for the year	$ (284,538)	$ (888,357)
Basic and diluted loss per share	(0.14)	(0.51)
Weighted average number of common shares outstanding	2,080,084	1,748,313

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

BALSAM TECHNOLOGIES CORP.
(formerly Rewardstream Solutions Inc.)
STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
EXPRESSED IN CANADIAN DOLLARS (EXCEPT NUMBER OF SHARES)

	SHARE CAPITAL			RESERVES						
	Number of Shares		Amount		Share-based Compensation Reserve		Warrant Reserve		Deficit		Total Equity (Deficiency)
Balance at September 30, 2018	1,748,313	$	15,996,267	$	1,860,580	$	288,995	$	(17,272,062)	$	873,780
Net loss for the year	-		-		-		-		(888,357)		(885,857)
Balance at September 30, 2019	1,748,313		15,996,267		1,860,580		288,995		(18,160,419)		(14,577)
Private placement	3,571,427		500,000		-		-		-		500,000
Share issue cost	-		(13,263)		-		-		-		(13,263)
Net loss for the year	-		-		-		-		(284,538)		(284,538)
Balance at September 30, 2020	5,319,740	$	16,483,004	$	1,860,580	$	288,995	$	(18,444,957)	$	187,622

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

BALSAM TECHNOLOGIES CORP.
(formerly Rewardstream Solutions Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
EXPRESSED IN CANADIAN DOLLARS

	2020	2019
OPERATING ACTIVITIES		
Net loss for the year	$ (284,538)	$ (888,357)
Items not involving cash:		
Accrued interest payable	1,312	-
Changes in non-cash working capital items:		
Accounts receivable	62,241	(16,782)
Prepaid expenses	43,069	(19,761)
Accounts payable and accrued liabilities	117,888	66,804
Cash used in operating activities	(60,028)	(858,096)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	500,000	-
Share issue cost	(13,263)	-
Loans received	30,000	-
Repayment of loans payable	-	(5,650)
Cash provided by (used in) financing activities	516,737	(5,650)
CHANGE IN CASH	456,709	(863,746)
CASH, Beginning of year	1,221	864,967
CASH, End of year	$ 457,930	$ 1,221

During the years ended September 30, 2020 and 2019, no amounts were paid for interest or income tax expense.

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

1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the laws of British Columbia on March 23, 1999 and continued under the *Canada Business Corporations Act* on December 22, 1999. The Company was subsequently continued under the laws of British Columbia on October 21, 2015. The head office and records are located at Suite 1000, 409 Granville Street, Vancouver, British Columbia V6C 1T2. On February 20, 2020, the Company's listing was transferred to the NEX and on March 30, 2020, was reinstated for trading on the NEX board under the trading symbol "REW.H". Effective October 8, 2020, the Company changed its name to Balsam Technologies Corp and trade under the trading symbol "BTEC.H". The Company continues to search for strategic business opportunities.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company realized a net loss of $284,538 for the year ended September 30, 2020. As at September 30, 2020, the Company had an accumulated deficit of $18,444,957. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company's continued existence is dependent upon its ability to raise additional capital and to identify and acquire a suitable business opportunity. Failure to do so would have an adverse effect on the financial position of the Company and its ability to continue as a going concern. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

During the year ended September 30, 2020, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, amongst others, could have a significant impact on the Company's operations.

These financial statements do not include any adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

a) Statement of compliance

These annual financial statements, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Issues Committee ("IFRIC"). The principal accounting policies applied in the preparation of these financial statements are set below. These policies have been consistently applied to all years presented, unless otherwise noted.

These financial statements were approved and authorized for issue by the Board of Directors on January 28, 2021.

2. BASIS OF PRESENTATION – (cont'd)

b) Basis of measurement

These financial statements have been prepared on a historical basis, except for certain financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The financial statements are presented in Canadian dollars which is the Company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in the financial statements.

a) Financial Instruments

Financial Assets

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in the entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. The classification depends on the Company's business model for managing the financial assets and contractual terms of the cash flows. These are the measurement categories under which the Company classifies its financial assets:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets classified at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income (loss). When the financial instrument is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

- Fair value through profit or loss ("FVTPL"): Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss in the period which it arises.

The Company's cash is measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

a) Financial Instruments – (cont'd)

Impairment

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

Financial Liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its accounts payable and accrued liabilities and loans payable as financial liabilities held at amortized cost.

b) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity. Equity instruments are valued at either the fair value of the goods or services received or at the fair value of the equity instruments granted.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced, and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital, and any related amount recorded in warrants reserve is transferred to share capital.

3. SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

c) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss), in which case the income tax is also recognized directly in equity or other comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred income tax assets and liabilities are presented as non-current.

d) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. There were no potentially dilutive common shares related to warrants outstanding at September 30, 2020. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

3. SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

e) Share-based compensation

The Company has a stock option plan that is described in note 6 that grants stock options to the Company's directors, officers and employees. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based compensation reserve. Consideration received on the exercise of stock options is recorded as share capital and the recorded amount to share-based compensation reserve is transferred to share capital.

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is charged to profit or loss.

f) Use of estimates and judgments

The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management judgments include:

- The utilization of deferred income tax assets

  The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

EXPRESSED IN CANADIAN DOLLARS

3. SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

f) Use of estimates and judgments – (cont'd)

- The going concern assumption

  The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

The Company bases its estimates and judgments on current facts and various other factors that it believes to be reasonable under the circumstances. The actual results experienced by the Company may differ materially and adversely from the Company's estimates and could affect future results of operations and cash flows.

g) New accounting standards

IFRS 16: Leases. The Company has no leases and the adoption of this standard had no impact on the Company's financial statements.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Accounts payable	$ 236,708	$ 118,069
Accrued liabilities	14,500	15,250
	$ 251,208	$ 133,319

5. LOANS PAYABLE

On January 9, 2020, the Company received a promissory note of $30,000 from a third party which bears interest at 6% per annum, unsecured and repayable by July 9, 2020 and remains outstanding as at September 30, 2020. During the year ended September 30, 2020, $1,312 of interest was accrued on the loan amount and is included in loans payable as at September 30, 2020.

6. SHARE CAPITAL

a) Authorized:
unlimited common shares, without par value

On April 7, 2020, the Company completed a share consolidation on the basis of 10 old shares for 1 new share. The share consolidation has been retroactively presented in these financial statements and all share amounts, including per share amounts, reflect the share consolidation.

EXPRESSED IN CANADIAN DOLLARS

6. SHARE CAPITAL – (cont'd)

b) Issued and outstanding:

During the year ended September 30, 2020:

On August 27, 2020, the Company issued 3,571,427 units at a price of $0.14 per unit for gross proceeds of $500,000. Each unit consist of one common share and one share purchase warrant with each share purchase warrant entitling the holder the right to purchase an additional common share at a price of $0.185 per share expiring on August 27, 2021. The Company incurred $13,263 in share issuance costs.

During the year ended September 30, 2019:

There were no shares issued during the year ended September 30, 2019.

c) Stock options

The Company has a stock option plan (the "Plan") that permits the grant of share purchase options up to 10% of the issued and outstanding common shares of the Company to directors, officers, key employees and consultants. Terms of the options granted are subject to determination and approval by the Board of Directors.

There were no stock options granted during the years ended September 30, 2020 and 2019.

d) Warrants

The table below summarizes the information on the outstanding warrants of the Company for the years ended September 30, 2020 and 2019:

	Number of Warrants	**Weighted Average Exercise Price**
Balance, September 30, 2018	1,355,362	$4.24
Expired	(1,355,362)	4.24
Balance, September 30, 2019	-	-
Issued	3,571,427	0.185
Balance, September 30, 2020	3,571,427	$0.185

EXPRESSED IN CANADIAN DOLLARS

7. RELATED PARTY TRANSACTIONS

Related party transactions not otherwise described in these financial statements are shown below.

The remuneration of the Company's directors and other members of key management, individuals who have the authority and responsibility for planning, directing and controlling the activities of the Company, for the years ended September 30, 2020 and 2019 are as follows:

		2020		2019
Consulting fees				
Enermetals Ventures Inc. (Pat Morris, Director and former CEO)	$	75,000	$	75,000
Harmony Corporate Services Ltd; (Geoff Balderson, Director and CFO)		28,800		25,600
1156724 BC Ltd. (Joel Shacker, Director and CEO)		70,000		-
Danilen Villanueva, former director		-		3,500
Usama Chaudhry, former CFO		-		6,300
	$	173,800	$	110,400

Prepaid expenses at September 30, 2020, includes $Nil (2019 - $43,069) in advances to a company controlled by the former CEO for travel expenses and consulting fees.

Accounts payable and accrued liabilities at September 30, 2020, includes $114,035 (2019 - $7,230) owing to companies controlled by directors and officers of the Company for unpaid fees.

8. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

		2020		2019
Loss before income taxes	$	(284,538)	$	(888,357)
Statutory tax rate		27%		27%
Expected income tax recovery		(76,825)		(239,856)
Items not deductible for tax purposes		(4,175)		3,558
Effect of adjustment to statutory return		-		222,411
Impact of future income tax rates applied		-		80,166
Change in unrecognized tax benefits		81,000		(66,279)
	$	-	$	-

EXPRESSED IN CANADIAN DOLLARS

8. INCOME TAXES – (cont'd)

Deferred income tax assets and liabilities

The ultimate realization of deferred income assets is dependent upon the generation of taxable income during the in periods in which those temporary differences become deductible. Due to uncertainty surrounding realization of the deferred income tax assets in the future, the Company has not recognized the benefits of its deferred income tax assets other than an amount to offset deemed income tax liabilities. Significant unrecognized tax benefits and unused tax losses for which no deferred tax assets is recognized as of September 30 are as follows:

		2020		**2019**
Non-capital losses	$	4,650,300	$	4,553,700
Exploration and evaluation assets		1,028,000		1,028,000
Share issuance costs		17,600		33,900
Capital loss		247,800		247,800
Research and development tax pools		642,700		642,700
		6,586,400		6,506,100
Less: Deferred income tax assets not recognized		(6,586,400)		(6,506,100)
Deferred tax assets, net	$	-	$	-

The Company has accumulated losses for Canadian tax purposes that expire in 2026 to 2039 totaling approximately $17,223,000. Research and development tax pools of $2,485,000 carry forward indefinitely.

9. FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, loans payable, and accounts payable and accrued liabilities approximate their fair values due to their short-term nature. Financial assets and liabilities measured at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis.

Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and consider the implications of market conditions in relation to the Company's activities.

There are no changes in the Company's objective, policies and processes for managing the risks and the methods used to measure the risks during the year ended September 30, 2020.

a) 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's cash is held at a large Canadian financial institution in interest-bearing accounts.

9. FINANCIAL INSTRUMENTS – (cont'd)

b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The accounts payable and accrued liabilities are typically due in 30 days. The Company uses cash to settle its financial obligations as they fall due. As at September 30, 2020, the Company has a working capital of $187,621. Management is considering different alternatives to secure adequate debt or equity financing to meet the Company's short term and long-term cash requirement.

At present, the Company's operations do not generate cash flow. The Company's primary source of funding has been the issuance of equity securities. Despite previous success in acquiring financing, there is no guarantee of obtaining future financings.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's operations, income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns. The Company is exposed to market risk as follows:

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk due to the short-term to maturity of its financial instruments. The Company had no interest rate swap or financial contracts in place as at September 30, 2020 and 2019. Interest rate risk is minimal as loans have a fixed interest rate.

(ii) Foreign currency risk

Currency risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates. As at September 30, 2020, the Company did not have any financial instruments denominated in foreign currencies and considers foreign currency risk to be negligible.

(iii) Price risk

The Company has limited exposure to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market.

10. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the Company's objectives. In order to pay for general administrative costs, the Company will raise additional amounts as needed.

The Company reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company considers shareholders' equity and working capital as components of its capital base. The Company may access capital through the issuance of shares or the disposition of assets. Management historically funds the Company's expenditures by issuing share capital rather than using capital sources that require fixed repayments of principal and/or interest. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

There were no changes to the Company's approach to capital management during the year ended September 30, 2020.

11. COMPARATIVE FIGURES

Certain of the comparative figures for the year ended September 30, 2019 have been reclassified in order to conform to the current year's presentation.

12. SUBSEQUENT EVENTS

On January 4, 2021, the Company announced a non-brokered private placement of up to 4,285,715 units at a price of $0.14 per unit for gross proceeds of up to $600,000. Each unit will consist of one common share and one share purchase warrant entitling the holder to acquire an additional common share at a price of $0.185 for a period of twelve months. As at January 28, 2021, the Company has collected $600,000. Completion of the offering is subject to the approval of the TSX Venture Exchange.