Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended

August 31, 2020 and 2019

manning elliott

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of CellStop Systems Inc.

Opinion

We have audited the consolidated financial statements of CellStop Systems Inc. (the "Company") which comprise the consolidated statements of financial position as at August 31, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated 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 consolidated 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.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, 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 Consolidated Financial Statements

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

In preparing the consolidated 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 auditors' report to the related disclosures in the consolidated 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 auditors' 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 auditors' report is Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
December 17, 2020

CellStop Systems Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	August 31, 2020 ($)	August 31, 2019 ($)
ASSETS		
Current assets		
Cash	828	1,144
GST receivable	28,055	18,742
	28,883	19,886
Prepaid expenses (Note 6)	40,000	-
Exploration and evaluation assets (Note 6)	50,000	-
	118,883	19,886
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities (Note 7 and 10)	407,819	411,896
Notes payable (Note 8)	3,300	131,100
	411,119	542,996
Notes payable (Note 8)	139,331	115,925
	550,450	658,921
Shareholders' deficiency		
Share capital (Note 9)	8,157,277	7,917,277
Deficit	(8,588,844)	(8,556,312)
	(431,567)	(639,035)
	118,883	19,886

Nature of operations and going concern (Note 1)
Commitments (Note 11)
Subsequent event (Note 15)

These consolidated financial statements were authorized for issue by the Board of Directors on December 17, 2020. They are signed on behalf of the Board of Directors by:

"Michelle Gahagan"
Director

"Michael Curtis"
Director

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

CellStop Systems Inc.

Consolidated Statements Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended August 31, 2020	Year Ended August 31, 2019
	($)	**($)**
EXPENSES		
Interest expense (Note 8)	8,959	20,239
Office and miscellaneous	16,091	97
Professional fees	56,274	6,084
Rent (Note 11)	96,170	89,600
Transfer agent and filing fees	24,497	20,138
Loss from operations	(201,991)	(136,159)
Gain on loss of control of subsidiary (Note 5)	-	2,208
Write-off of liabilities (Note 8)	169,459	-
Loss and comprehensive loss	(32,532)	(133,951)
Basic and diluted loss per common share	(0.00)	(0.03)
Weighted average common shares outstanding	7,359,766	5,005,793

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

CellStop Systems Inc.

Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

	Number of Shares	Amount	Deficit	Total Shareholders' Deficiency
		($)	($)	($)
Balance at August 31, 2018	**5,005,793**	**7,917,277**	**(8,422,361)**	**(505,084)**
Loss and comprehensive loss	-	-	(133,951)	(133,951)
Balance at August 31, 2019	**5,005,793**	**7,917,277**	**(8,556,312)**	**(639,035)**
Shares issued pursuant to a private placement	4,800,000	240,000	-	240,000
Loss and comprehensive loss	-	-	(32,532)	(32,532)
Balance at August 31, 2020	**9,805,793**	**8,157,277**	**(8,588,844)**	**(431,567)**

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

CellStop Systems Inc.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended August 31, 2020	Year Ended August 31, 2019
	($)	**($)**
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the year	(32,532)	(133,951)
Items not affecting cash:		
Accrued interest	8,959	20,239
Gain on loss of control of subsidiary	-	(2,208)
Write-off of liabilities	(169,459)	-
Changes in non-cash working capital items:		
GST receivable	(9,313)	(6,075)
Accounts payable and accrued liabilities	76,423	28,476
	(125,922)	(93,518)
INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(50,000)	-
Prepayment for exploration and evaluation assets	(40,000)	-
	(90,000)	-
FINANCING ACTIVITIES		
Issuance of common shares for cash	240,000	-
Repayment of notes payable	(136,200)	(20,000)
Proceeds from notes payable	111,806	112,100
	215,606	92,100
Change in cash during the year	(316)	(1,418)
Cash, beginning of year	1,144	2,562
Cash, end of year	828	1,144

Supplemental cash flow information:

There were no amounts of cash paid for interest or income taxes for the years presented.

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

1. NATURE OF OPERATIONS AND GOING CONCERN

CellStop Systems Inc. (the "Company") was incorporated on April 29, 1982, under the laws of the Province of British Columbia.

The address of the Company's head office and registered office is 1558 West Hastings Street, Vancouver, British Columbia, V6G 3J4, Canada.

The Company is a publicly traded company and the Company's listing on the TSX Venture Exchange ("TSX-V") was transferred to the NEX board of the Exchange effective July 2, 2010 due to the Company's lack of operations. The NEX board allows the Company's shares to continue trading while it analyzes project opportunities to resume active business. The Company is subject to restrictions on share issuances and certain types of payments as set out in NEX policies. During the year ended August 31, 2020, the Company entered into an option agreement to acquire a 100% interest in the Clarks Brook property in Newfoundland, in conjunction with a proposed change of business to a mining issuer and listing its common shares for trading on the Canadian Securities Exchange, which remains pending as at August 31, 2020.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. Currently, the Company has no active operations and no source of operating cash flows. The Company had an accumulated loss of $8,588,844 since inception and a working capital deficiency of $382,236 at August 31, 2020. The Company has relied mainly upon the issuance of share capital and notes payable to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue to rely upon the issuance of share capital to finance its future activities but there can be no assurance that such financing will be available to the Company. The outbreak of COVID-19 could have a negative impact on the Company's ability to execute its business plan and the stock market, including trading prices of the Company's shares and its ability to raise new capital. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations, and financial condition. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Failure to continue as a going concern may require restatement of assets and liabilities on a liquidation basis, which could differ materially from the going concern basis. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved by the Audit Committee and Board of Directors of the Company on December 17, 2020.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as held for trading that have been measured at fair value. Cost is the fair value of consideration given in exchange for net assets.

2. BASIS OF PRESENTATION (continued)

(c) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned inactive subsidiary, US incorporated Palm Coast Solutions Inc. (collectively the "Company"). All significant intercompany transactions and balances have been eliminated. A company is consolidated from the date on which control is obtained by the Company and cease to be consolidated from the date on which control is lost by the Company. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control. It was determined that the Company had lost control of its subsidiary on August 31, 2019 through a series of events including but not limited to the loss of control to internal financial and corporate information of the subsidiary (Note 5).

(d) Functional and Presentation Currency

The Company's functional and reporting currency is the Canadian dollar. The Company's subsidiary functional and reporting currency is the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Significant Accounting Judgments, Estimates and Assumptions

In the application of the Company's accounting policies which are described in below, management is required to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenue and expenses and are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and management's assessment of current events and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in these consolidated financial statements include:

<u>Going Concern</u>

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended August 31, 2020 and 2019. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Significant Accounting Judgments, Estimates and Assumptions (continued)

Deferred income taxes

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Impairment of mineral properties

The assessment of indications of impairment of the mineral properties and related determination of the net realizable value and write-down of the mineral property requires a significant amount of management judgment.

Leases

Management exercises judgment when contracts are entered into that may give rise to a right-of-use asset that would be accounted for as a lease. Judgment is required in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option at inception and over the term of the lease, including investments in major leasehold improvements, operating performance, and changed circumstances. The periods covered by renewal or termination options are only included in the lease term if management is reasonably certain to exercise that option. Changes in the economic environment may impact the assessment of the lease term and any changes in the estimate of lease terms may have a material impact on the Company's consolidated statement of financial position.

(b) Foreign Currency Translation

The Company's functional and reporting currency is the Canadian dollar.

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

(c) Financial Instruments

(i) Classification and measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories: at amortized cost, at fair value through other comprehensive income (loss) ("FVTOCI"), or at fair value through profit ("FVTPL").

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments (continued)

Financial Assets

The Company determines the classification of financial assets at initial recognition. The classification of financial instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets at amortized cost
Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost using the effective interest rate method. If there is objective evidence that the financial assets are impaired, determined by reference to external credit ratings and other relevant indicators, the financial assets are measured at the present value of estimated future cash flows. Any changes to the carrying amount of the financial asset, including impairment losses, are recognized through profit or loss. There are no assets classified in this category.

Financial assets at FVTOCI
Financial assets carried at FVTOCI are financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and selling financial assets, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to deficit. The Company does not have any financial assets classified as FVTOCI.

Financial assets at FVTPL
By default, all other financial assets are measured subsequently at FVTPL. Assets at FVTPL include cash.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value with changes recognized in profit or loss. Attributable transaction costs are recognized in profit or loss when incurred.

Financial Liabilities

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

A financial liability is classified as at 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 the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments (continued)

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 method.

The Company has classified its accounts payable and notes payable as amortized cost.

(ii) Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i. e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

(d) Share Capital

The Company records proceeds from the share issuances, net of commissions and issuance costs, as share capital.

The Company engages in equity financing transactions to obtain the funds necessary to continue operations. The equity financings may involve the issuance of common shares or units. Warrants that are part of units are assigned a value based on the residual value, if any, and included in the reserves.

(e) Share-Based Payments

The Company has a stock option plan for its directors, officers and employees. Under this plan, stock options are not issued at less than their fair market value.

The Company recognizes compensation cost for options and other share-based compensatory awards under the fair value method. Compensation cost is measured using the Black-Scholes option pricing model at the date of the grant and is expensed over the vesting period of the equity instrument awarded, with the offsetting amounts credited to share-based payment reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payment reserve amount is transferred to share capital. For the years presented, the Company had no stock options outstanding.

(f) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Loss Per Share

Basic loss per share is calculated using the weighted average number of shares issued and outstanding during the period. Diluted loss per share is the same as basic loss per share as the issuance of shares on the exercise of share purchase options and warrants is anti-dilutive.

(h) Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity.

(i) Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

(j) Deferred Income Tax

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

4. ACCOUNTING STANDARDS ADOPTED AND ISSUED

Adoption of New or Amended Accounting Standards

IFRS 16, Leases - IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

4. ACCOUNTING STANDARDS ADOPTED AND ISSUED (continued)

Adoption of New or Amended Accounting Standards (continued)

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarity to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

On adoption of IFRS 16, the Company used the following additional practical expedients:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognize right-of-use assets and lease liabilities for short-term leases with terms less than 12 months and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line or other systematic basis over the lease term;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company chose to adopt the modified retrospective approach on transition to IFRS 16 on September 1, 2019. Accordingly, the comparative information presented for the prior period has not been restated and is presented as previously reported under IAS 17 and related interpretations.

As at September 1, 2019, the Company has determined there is no identifiable asset pertaining to its cost sharing arrangement agreement (Note 11) and therefore adoption of IFRS 16 will have no impact on the consolidated financial statements other than increased disclosure.

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2020, or later periods. The Company has not early adopted these new standards in preparing these consolidated financial statements. There new standards are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

5. DISCOUNTINUED OPERATIONS

During the year ended August 31, 2019, the Company determined it had lost control of Palm Coast Solutions Inc. as described in Note 2 through a series of events including but not limited to the loss of control to internal financial and corporate information of the subsidiary. The operations of the subsidiary were reported as discontinued in 2019 accordingly.

(Expressed in Canadian dollars)

5. DISCOUNTINUED OPERATIONS (continued)

As a result of this loss of control, the Company derecognized the assets and liabilities of the subsidiary. Any resulting gain or loss is recognized in profit or loss.

	($)
Assets of subsidiary derecognized	-
Liabilities of subsidiary derecognized	2,208
Gain on loss of control of subsidiaries	(2,208)

During the years ended August 31, 2019, there was no net income or loss from discontinued operations.

6. EXPLORATION AND EVALUATION ASSETS

	Acquisition Costs	**Exploration Costs**	**Total**
	($)	**($)**	**($)**
Balance, August 31, 2018 and 2019	-	-	-
Acquisition costs	50,000	-	50,000
Balance , August 31, 2020	**50,000**	**-**	50,000

Clark's Brook Property
On July 29, 2020 the Company entered into an arm's length option agreement (the "Option Agreement") with Metals Creek Resources Corp. ("MCR") to acquire 100% of the right, title and interest in and to the Clark's Brook Property in central Newfoundland.

In order to earn its option, the Company must issue an aggregate of 1,500,000 common shares of the Company and make cash payments totaling $225,000 over the course of a three year period as outlined below:

# of Shares	**$ Cash**	**Date**
-	50,000	On signing of Option Agreement (paid)
200,000	-	On initial listing on Canadian Securities Exchange (Initial Issuance Date)
300,000	30,000	12 months from Initial Issuance Date
500,000	45,000	24 months from Initial Issuance Date
500,000	100,000	36 months from Initial Issuance Date
1,500,000	**225,000**	

In accordance with the terms of the Option Agreement, the Company will reserve to MCR a 2% net smelter royalty (the "NSR") on the mineral claims, provided, however, that the Company shall have the right at any time to purchase from MCR 1% of the NSR in consideration for a one-time payment of the sum of $1,000,000.

During the year ended August 31, 2020, the Company made the initial $50,000 cash payment under the Option Agreement and made an advance property payment of $40,000 on an unrelated prospective property, which is included in prepaid expenses.

(Expressed in Canadian dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020 ($)	2019 ($)
Trade payables	24,308	112,025
Related party payables (Note 10)	276,243	243,380
Accrued interest (Note 8)	55,785	50,618
Accrued liabilities	51,483	5,873
Total	407,819	411,896

8. NOTES PAYABLE

	2020 ($)	2019 ($)
Unsecured loan bearing interest at 10% per annum with various due dates (i)	139,331	163,725
Unsecured loan bearing interest at 10% per annum, due on or before December 31, 2019 (ii)	-	80,000
Unsecured loan bearing interest at 10% per annum, due on April 29, 2021 (iii)	3,300	3,300
Total	142,631	247,025
Less current portion	(3,300)	(131,100)
Long-term portion	139,331	115,925

i) During the year ended August 31, 2020, the Company issued a total of $16,806 (2019 - $32,100) to third party creditors and $95,000 (2019 - $Nil) to directors and officers of the Company (Note 10) in unsecured notes payable which bear interest at 10% per annum, compounded annually, and are payable quarterly in cash. All loans have a maturity date of three years from issuance.

During the year ended August 31, 2020, the Company repaid a total of $136,200 in unsecured notes payable.

ii) During the year ended August 31, 2019, the Company received an unsecured loan of $80,000 from a creditor to be used to pay expenses which were incurred pursuant to a proposed corporate transaction between the creditor and the Company. The loan bears interest at 10% per annum and matures on or before December 31, 2019, unless the creditor determines not to proceed with the proposed corporate transaction with the Company, in which case the loan and any accrued interest will be forgiven by the creditor.

During the year ended August 31, 2020, the $80,000 unsecured loan and $3,792 in accrued interest was written off as the creditor determined not to proceed with the proposed corporate transaction as noted above. In addition, a total of $85,667 in trade payables was written off relating to professional fees incurred in connection with the proposed transaction that has since been terminated. As a result, during the year ended August 31, 2020, the Company recognized $169,459 (2019 - $Nil) in gain on write-off of liabilities.

iii) During the year ended August 31, 2019, the Company entered into an extension agreement with the creditor to extend the maturity of its existing $3,300 notes payable for two years from April 29, 2019 to April 29, 2021.

(Expressed in Canadian dollars)

8. NOTES PAYABLE (continued)

Repayments of notes payable is as follows:

	($)
2021	3,300
2022	27,525
2023	111,806
	142,631

During the year ended August 31, 2020, the Company incurred $8,959 (2019 - $20,239) of interest expense.

9. SHARE CAPITAL

a) Authorized share capital

An unlimited number of common shares without par value.

b) Issued share capital

On March 5, 2020, the Company completed a non-brokered private placement through the issuance of 4,800,000 units at $0.05, raising gross proceeds of $240,000. Each unit consists of one common share and one-half of one common share purchase warrant exercisable at $0.10 for a period of 12 months from the date of issue. There was no value allocated to these warrants under the residual method.

During the year ended August 31, 2019, there was no share capital activity.

c) Stock options

The Company has an option plan (the "Plan") in compliance with the TSX-V's policies. The number of common shares reserved and authorized for issuance pursuant to options granted under the Plan is 1,001,159, representing 20% of the number of issued and outstanding shares. However, since the Corporation is currently listed on the NEX, the maximum number of options is limited to 500,579, representing 10% of the total number of issued and outstanding common shares in the Company. The exercise price of each stock option shall not be less than the market price of the Company's stock at the date of grant. Vesting terms are at the discretion of the directors.

During the years presented, there was no stock option activity.

As at August 31, 2020 and 2019, there were no stock options outstanding.

d) Share purchase warrants

A continuity schedule of outstanding share purchase warrants is as follows:

	Number Outstanding	**Weighted Average Exercise Price ($)**
Balance – August 31, 2019	-	-
Granted	2,400,000	$0.10
Balance – August 31, 2020	2,400,000	$0.10

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

As at August 31, 2020, the Company had 2,400,000 warrants outstanding as outlined below:

Expiry Date	Warrants Outstanding	Exercise Price	Weighted Average Remaining Life
		($)	(years)
March 5, 2021	2,400,000	0.10	0.51
	2,400,000	0.10	0.51

10. RELATED PARTY TRANSACTIONS AND BALANCE

Key Management Compensation

The Company defines key management personnel as officers and directors of the Company and/or entities controlled by them. During the years presented, key management personnel did not charge any fees for services in an effort to conserve resources while exploring potential projects for reactivation.

As at August 31, 2020, a total of $13,400 (2019 - $13,400), was included in accounts payable and accrued liabilities owing to a corporation controlled by the chief financial officer of the Company for management fees. The amounts are non-interest bearing, unsecured with no formal terms of repayment.

Other Related Party Transactions

	2020	2019
	($)	($)
Office sharing and occupancy costs paid or accrued to a corporation that shares management in common with the Company (i) (Note 11).	96,170	89,600
Interest expense (ii)	911	-
	97,081	89,600

i) As at August 31, 2020, a total of $262,843 (2019 - $229,980) was included in accounts payable and accrued liabilities owing to a corporation that shares management in common with the Company for office sharing and occupancy costs. The amounts are non-interest bearing, unsecured with no formal terms of repayment.

ii) During the year ended August 31, 2020, the Company issued $95,000 in unsecured notes to directors and officers of the Company, which bear interest at 10% per annum for a three-year term (Note 8). As at August 31, 2020, $95,000 and $911 remains payable to directors and officers in principal and interest, which is included under notes payable and accounts payable and accrued liabilities.

(Expressed in Canadian dollars)

11. COMMITMENTS

The Company entered into a cost sharing arrangement agreement for the provision of office space and various administrative services. Under the terms of the agreement, the Company will pay $7,000 plus GST per month effective December 1, 2017, increasing to $7,700 per month effective February 1, 2019, and further increasing to $8,470 per month on February 1, 2020 until the expiration of the underlying head lease on July 31, 2021. During the year ended August 31, 2020, the Company moved office spaces and entered into an amended cost sharing agreement, reducing the monthly cost to $6,000 effective August 2020.

Fiscal Year	Amount
	($)
2021	66,000
	66,000

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values and Classification

The Company's financial instruments consist of cash, accounts payable and notes payable. Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI"), or amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	August 31, 2020	August 31, 2019
		($)	($)
Cash	FVTPL	828	1,144
Accounts payable	Amortized cost	300,551	355,405
Notes payable	Amortized cost	142,631	247,025

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value 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 that are not based on observable market data.

The fair value of cash is measured on the consolidated statement of financial position using level 1 of the fair value hierarchy. The fair values of accounts payable approximate their book values because of the short-term nature of these instruments.

The carrying amounts of the notes payable approximate fair value as the interest rates were negotiated based on market rates.

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial instrument risk exposure

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company manages this credit risk by ensuring that cash is placed with a major financial institution with strong investment grade ratings by a primary ratings agency.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company endeavors to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand. The Company is exposed to liquidity risk.

Contractual undiscounted cash flow requirements for financial liabilities as at August 31, 2020 are as follows:

	<1 year	**2-3 Years**	**Total**
	($)	**($)**	**($)**
Accounts payable and accrued liabilities	407,819	—	407,819
Notes payable	3,300	139,331	142,631
	411,119	139,331	550,450

Interest rate risk

The Company is nominally exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The Company does not have any variable interest rate liabilities.

Foreign exchange risk

The Company is not exposed to significant foreign currency risk.

13. MANAGEMENT OF CAPITAL

The Company considers items included in shareholders' equity as capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue project opportunities for the benefit of its shareholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. There can be no assurance that the Company will be able to obtain debt or equity capital in the case of operating cash deficits.

(Expressed in Canadian dollars)

13. MANAGEMENT OF CAPITAL (continued)

As the Company is currently listed on the NEX board of the TSX Venture Exchange, it is subject to certain restrictions on share issuances pursuant to NEX policies and is limited in the number of common shares it can issue in any 12-month period. The Company prepares annual expenditure budgets and updates these as required throughout the year which it uses as the primary tool for assessing its capital requirements.

There have been no changes to the Company's approach to capital management during the year ended August 31, 2020.

14. INCOME TAXES

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred tax assets and liabilities, are as follows:

	2020	2019
	($)	($)
Net loss for the year	32,532	133,951
Canadian statutory income tax rate	27%	27%
Expected income tax recovery	(8,800)	(36,000)
Permanent difference and other	(200)	34,000
Deferred tax assets not recognized	9,000	2,000
Total income tax expense (recovery)	-	-

The significant components of deferred income tax assets and liabilities are as follows:

	2020	2019
	($)	($)
Non-capital losses carry-forward	1,144,000	1,135,000
Capital losses carry-forward	548,000	548,000
Canadian eligible capital	14,000	14,000
	1,706,000	1,697,000
Unrecognized deferred tax asset	(1,706,000)	(1,697,000)
Net deferred tax asset	-	-

As at August 31, 2020, the Company has non-capital losses carried forward of approximately $4,236,000 which are available to offset future years' taxable income.

(Expressed in Canadian dollars)

14. INCOME TAXES (continued)

These losses expire as follows:

	$
2026	320,000
2027	250,000
2028	2,179,000
2029	166,000
2030	153,000
2031	165,000
2032	157,000
2033	107,000
2034	153,000
2035	136,000
2036	79,000
2037	79,000
2038	125,000
2039	134,000
2020	33,000
	4,236,000

15. SUBSEQUENT EVENT

On July 29, 2020, and in conjunction with the Option Agreement described in Note 5, the Company announced its intention to voluntarily delist its common shares from the NEX board of the TSX-V and apply for listing on the CSE.

In order to satisfy the listing requirements of the CSE and to finance the Company's obligations under the Option Agreement and the Phase 1 exploration program, the Company will be required to complete a non-brokered private placement (the “Private Placement”) of a minimum of 7,166,667 units (each, a "Unit") and a maximum of 10,000,000 Units at a price of $0.06 per Unit. Each Unit shall be comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant shall entitle the holder to purchase one common share at a price of $0.10 per share at any time within 18 months of the date of issuance of the warrant.

Subsequent to year-end, the Company received $222,000 in proceeds related to the proposed Private Placement. Regulatory approval is pending with regards to listing on the CSE and delisting from the NEX board of the TSX-V.