



**Maxtech Ventures Inc.**  
**Consolidated Financial Statements**  
**July 31, 2020**  
**(Expressed in Canadian Dollars)**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Maxtech Ventures Inc.

### Opinion

We have audited the consolidated financial statements of Maxtech Ventures Inc. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2020 and 2019, and the consolidated statements of changes in shareholders' equity, loss and comprehensive loss, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

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

### Other Information

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

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

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

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

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Matthew Gosden.

DMCL

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

November 27, 2020



An independent firm  
associated with Moore  
Global Network Limited

**Maxtech Ventures Inc.****Consolidated Statements of Financial Position**

As at July 31, 2020 and July 31, 2019

	Note	July 31, 2020 \$	July 31, 2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash		59,716	-
Prepaid expenses		13,125	5,787
		<b>72,841</b>	<b>5,787</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	3	753,793	182,566
<b>Total assets</b>		<b>826,634</b>	<b>188,353</b>
<b>Liabilities and shareholders' equity (deficiency)</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		574,647	148,199
Due to related parties	6	8,405	199,534
Flow-through premium liability	4,11	3,610	-
<b>Total liabilities</b>		<b>586,662</b>	<b>347,733</b>
<b>Shareholders' equity (deficiency)</b>			
Share capital	4	12,246,344	11,143,360
Reserves	4	471,785	-
Contributed surplus	4	7,467,213	7,467,213
Deficit		(19,945,370)	(18,769,953)
<b>Total shareholders' equity (deficiency)</b>		<b>239,972</b>	<b>(159,380)</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>826,634</b>	<b>188,353</b>
Nature of operations and going concern	1		
Contingency	10		
Commitment	11		
Events after the reporting period	12		

Approved on behalf of the Board of Directors on November 27, 2020:

"Peter Wilson"

Director

"Eugene Hodgson"

Director

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

**Maxtech Ventures Inc.****Statements of Changes in Shareholders' Equity (Deficiency)**

For the years ended July 31, 2020 and July 31, 2019

	Number of shares #	Share capital \$	Reserves \$	Contributed surplus \$	Deficit \$	Total shareholders' equity (deficiency) \$
August 1, 2018	54,314,862	10,723,360	2,118,086	5,349,127	(17,923,992)	266,581
Common shares issued - services	1,700,000	100,000	-	-	-	100,000
Common shares issued - debt settlement	800,000	200,000	-	-	-	200,000
Common shares issued - exploration and evaluation assets	750,000	120,000	-	-	-	120,000
Fair value reversal on cancellation of stock options	-	-	(2,118,086)	2,118,086	-	-
Loss and comprehensive loss for the year	-	-	-	-	(845,961)	(845,961)
July 31, 2019	57,564,862	11,143,360	-	7,467,213	(18,769,953)	(159,380)
August 1, 2019	57,564,862	11,143,360	-	7,467,213	(18,769,953)	(159,380)
Private placement - flow-through units	4,057,406	263,754	121,700	-	-	385,454
Private placement - non-flow-through units	9,259,464	530,304	45,700	-	-	576,004
Flow-through premium	-	(40,574)	-	-	-	(40,574)
Share issue costs	246,856	(16,463)	10,463	-	-	(6,000)
Units issued - termination fee	240,000	15,963	-	-	-	15,963
Common shares issued - debt settlement	2,205,882	180,000	-	-	-	180,000
Common shares issued - exploration and evaluation assets	2,000,000	170,000	-	-	-	170,000
Share-based compensation	-	-	293,922	-	-	293,922
Loss and comprehensive loss for the year	-	-	-	-	(1,175,417)	(1,175,417)
July 31, 2020	75,574,470	12,246,344	471,785	7,467,213	(19,945,370)	239,972

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

---

**Maxtech Ventures Inc.****Consolidated Statements of Loss and Comprehensive Loss**

---

**For the years ended July 31,**

---

	Note	2020 \$	2019 \$
<b>Expenses</b>			
Consulting and management fees	6	324,927	343,255
Office facilities and administration		43,960	30,600
Professional fees	6	84,973	39,895
Property investigation		-	13,656
Public relations and advertising		227,313	62,821
Share-based compensation	4,6	293,922	-
Transfer agent and filing fees		41,323	15,227
<b>Loss from operating expenses</b>		<b>(1,016,418)</b>	<b>(505,454)</b>
Gain on debt settlement	4	-	105,000
Impairment of exploration and evaluation assets	3	(165,000)	(445,507)
Termination fee	3	(15,963)	-
Claim maintenance expense	10	(15,000)	-
Other income on settlement of flow-through premium liability	4	36,964	-
<b>Loss and comprehensive loss for the year</b>		<b>(1,175,417)</b>	<b>(845,961)</b>
<b>Loss per share</b>			
<b>Weighted average number of common shares outstanding</b>			
- basic #	5	<b>67,671,152</b>	56,145,684
- diluted #	5	<b>67,671,152</b>	56,145,684
<b>Basic loss per share \$</b>	5	<b>(0.02)</b>	(0.02)
<b>Diluted loss per share \$</b>	5	<b>(0.02)</b>	(0.02)

---

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

---

**Maxtech Ventures Inc.****Consolidated Statements of Cash Flows**

---

For the years ended July 31,

---

	Note	2020 \$	2019 \$
<b>Operating activities</b>			
Loss for the year		(1,175,417)	(845,961)
Impairment of exploration and evaluation assets		165,000	445,507
Share-based compensation		293,922	-
Termination fee		15,963	-
Services paid in shares		-	205,000
Gain on debt settlement		-	(105,000)
Other income on settlement of flow-through premium liability		(36,964)	-
Net change in non-cash working capital items	8	90,895	238,474
		<b>(646,601)</b>	<b>(61,980)</b>
<b>Financing activities</b>			
Issue of common shares/units for cash		961,458	-
Share issue costs		(6,000)	-
		<b>955,458</b>	<b>-</b>
<b>Investing activities</b>			
Exploration and evaluation expenditures		(249,141)	(73,262)
		<b>(249,141)</b>	<b>(73,262)</b>
<b>Net increase (decrease) in cash</b>		<b>59,716</b>	<b>(135,242)</b>
<b>Cash, beginning of year</b>		<b>-</b>	<b>135,242</b>
<b>Cash, end of year</b>		<b>59,716</b>	<b>-</b>

Supplemental cash flow information

8

---

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

---

## Maxtech Ventures Inc.

### Notes to the Consolidated Financial Statements

---

For the years ended July 31, 2020 and July 31, 2019

---

#### 1. Nature of operations and going concern

Maxtech Ventures Inc. (the "Company") was incorporated on April 19, 2000, under the laws of the province of British Columbia, Canada. The Company's shares are traded on the Canadian Securities Exchange (the "CSE") under the symbol "MVT". The Company is in the business of exploration and evaluation of mineral property interests in Ontario and Quebec.

The head office, principal address and records office of the Company are located at 702 - 595 Howe Street, Vancouver, B.C. V6C 2T5.

The Company's principal business activity is the acquisition, exploration and evaluation of mineral properties. The Company has been exploring its mineral property interests and has not yet determined whether they contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, obtaining the necessary permits to mine, and on future profitable production or proceeds from the disposition or option of the mineral property interests. The carrying amounts of mineral properties are based on costs incurred to date, and do not necessarily represent present or future values.

These consolidated financial statements (the "financial statements") are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. The Company does not have revenues and has incurred operating losses since incorporation. As at July 31, 2020, the Company had a working capital deficit of \$513,821 (July 31, 2019 – \$341,946). The Company will continue to seek the funding necessary to enable it to carry on as a going concern, but management cannot provide assurance that the Company will be able to raise additional debt and/or equity capital or conclude a corporate transaction. If the Company is unable to raise additional funds in the immediate future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures or cease operations. Management is aware in making its assessment of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company will continue to seek cost saving measures, project partners, merger/acquisition or financing opportunities where available (see note 12 for details in respect of a subsequent financing completed). These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

In March 2020, there was a global outbreak of COVID-19 which has had a significant impact on businesses through the restrictions put in place by International governments regarding travel, business operations and isolation/quarantine orders. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's ability to raise capital or conduct exploration activities. There are travel restrictions and health and safety concerns in all areas in which the Company operates, that may prohibit or delay exploration programs from proceeding. Operations will depend on obtaining necessary field supplies, obtaining contractor services and safeguarding all personnel during the outbreak, which may be prohibitive or too costly. To date, the restricted nature of the Company's activities has not qualified it for the various Government wage and loan subsidies.



---

**Maxtech Ventures Inc.****Notes to the Consolidated Financial Statements**

---

**For the years ended July 31, 2020 and July 31, 2019**

---

**2. Significant accounting policies****(a) Basis of presentation**

These 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 Interpretations Committee ("IFRIC").

These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss ("FVTPL"). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts on these financial statements are presented in Canadian dollars which is the functional currency of the Company.

**(b) New accounting standards**

The Company adopted the following accounting standards that are effective for annual periods beginning on or after January 1, 2019:

- New standard IFRS 16 - *Leases*

IFRS 16, *Leases* ("IFRS 16") was issued by the IASB on January 13, 2016, and replaced IAS 17, *Leases*. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new, right-of-use asset.

The Company does not have any leases and accordingly, there was no impact to the Company's financial statements as a result of adopting this new standard.

- New Interpretation IFRIC 23 - *Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 - *Uncertainty over Income Tax Treatments* ("IFRIC 23"). IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

There was no impact to the Company's financial statements as a result of adopting this new standard.

**(c) Principles of consolidation**

Subsidiaries are entities controlled by the Company and are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company.

These financial statements include the accounts of the Company and its controlled subsidiaries as follows:

---

<b>Name</b>	<b>Status</b>	<b>Ownership</b>	<b>Place of Incorporation</b>
Maxtech Mining Zambia Ltd.	Active	100%	Zambia
Emerging Minerals Corp. ("Emerging Minerals")	Inactive	53%	BC, Canada
Exercised International Ltd. ("Eotheme")	Inactive	100%	Wyoming, USA

---

All intercompany balances and transactions between the Company and its subsidiaries have been eliminated on consolidation.

**2. Significant accounting policies (continued)****(d) Financial instruments**Non-derivative financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value, and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit and loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated specifically as hedges. The Company classifies its cash at FVTPL.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized 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. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income following the derecognition of the investment. The Company does not have any financial assets within this category.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. Gains and losses on derecognition of financial assets classified amortized cost are recognized in profit or loss. The Company does not have any financial assets within this category.

Financial liabilities

Non-derivative financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. The Company's accounts payable and accrued liabilities and due to related parties are classified in this category.

Derivative instruments

Derivative instruments, including embedded derivatives in executory contracts or financial liability contracts, are classified as at FVTPL and, accordingly, are recorded in the consolidated statement of financial position at fair value. Unrealized gains and losses on derivatives not designated in a hedging relationship are recorded as part of other operating income (expense) or non-operating income (expense) in profit depending on the nature of the derivative. Fair values for derivative instruments are determined using inputs based on market conditions existing at the balance sheet date or settlement date of the derivative. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract. Accounts receivable related to provisionally priced sales are measured at fair value with changes recognized in the consolidated statement of loss and comprehensive loss as a component of revenue.

**2. Significant accounting policies (continued)****(e) Foreign currency translation**

The financial statements of the Company are prepared in its functional currency, determined on the basis of the primary economic environment in which the entity operates. Given that operations are in Canada, the presentation and functional currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates and non-monetary items measured at historical cost are translated into the entity's functional currency at rates in effect at the date the transaction took place.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are included in the consolidated statements of loss and comprehensive loss for the period in which they arise.

**(f) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, deposits held with banks, and other highly liquid short-term investments that are readily convertible to cash and have maturities with terms of less than ninety days and/or with original maturities over ninety days but redeemable on demand without penalty.

**(g) Exploration and evaluation assets**

Title to exploration and evaluation assets including mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many properties. The Company has investigated title to all its mineral properties and, to the best of its knowledge title to all of its properties is in good standing.

The Company accounts for exploration and evaluation assets in accordance with IFRS 6 – Exploration for and evaluation of mineral properties (“IFRS 6”). Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation are recognized and capitalized, in addition to the acquisition costs. These expenditures include but are not limited to acquiring licenses, researching and analyzing existing exploration data, conducting geological studies, exploration drilling and sampling and payments made to contractors and consultants in connection with the exploration and evaluation of the property. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Acquisition costs incurred in obtaining legal right to explore a mineral property are deferred until the legal right is granted and thereon reclassified to mineral properties. Transaction costs incurred in acquiring an asset are deferred until the transaction is completed and then included in the purchase price of the asset acquired.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

**2. Significant accounting policies (continued)****(h) Environmental rehabilitation**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pre-tax rate that reflects the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted at each reporting date for the unwinding of the discount rate, for changes to the current market-based discount rate, and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no known restoration, rehabilitation or environmental costs, of any significance, related to its exploration and evaluation assets.

**(i) Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**(j) Impairment of assets**

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal of impairment is recognized in the consolidated statement of loss and comprehensive loss.

**(k) Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash are valued based on their fair value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the issue date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

**2. Significant accounting policies (continued)****(k) Share capital (continued)**

Share purchase warrants issued on a standalone basis are recognized at the fair value using the Black-Scholes option pricing model at the date of issue. The value is initially recorded as a part of reserves in equity at the recognized fair value. Upon exercise of the share purchase warrants, the previously recognized fair value of the warrants exercised is reallocated to share capital from reserves. The proceeds generated from the payment of the exercise price are also allocated to share capital.

**(l) Flow-through share private placements**

As an incentive to complete private placements the Company may issue common shares, which by agreement are designated as flow-through shares. Such agreements require the Company to spend the funds from these placements on qualified exploration expenditures and renounce the expenditures and income tax benefits to the flow-through shareholders, resulting in no exploration deductions to the Company.

The shares are usually issued at a premium to the trading value of the Company's common shares at the date the private placement is announced. The premium is a reflection of the value of the income tax benefits that the Company must pass on to the flow-through shareholders. On issue, share capital is increased only by the non-flow-through share equivalent value. Any premium is recorded as a flow-through share premium liability.

The loss of the tax benefit is recorded as a deferred income tax liability and eliminates the original flow-through share premium liability, with the difference, if any, recorded as a deferred income tax expense. In instances where the Company has unused temporary income tax benefits, or unused non-capital losses or tax credits available to offset the deferred income tax liability, the realization of these income tax benefits is shown as a recovery in profit or loss in the period the deferred income tax liability is recorded.

The flow-through share premium liability is reduced on a pro-rata basis as the required exploration expenditures are completed and renounced to the flow-through shareholders.

**(m) Income taxes**

Income tax reported in the consolidated statement of loss and comprehensive loss for the period presented comprises current and deferred income tax. Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax for each taxable entity in the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date and includes any adjustments to tax payable or recoverable with regards to previous periods.

Deferred income tax is determined using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the expected future tax rates enacted or substantively enacted at the reporting date.

A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

**2. Significant accounting policies (continued)****(n) Share-based compensation**

The Company grants stock options to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that 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 corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using a Black-Scholes option pricing model. 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.

**(o) Earnings (loss) per share**

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Company for the years presented, except if their inclusion proves to be anti-dilutive.

**(p) Use of estimates and critical judgments**

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

**Estimates**

- (i) Provisions recognized in the financial statements involve judgments on the occurrence of future events, which could result in a material outlay for the Company. In determining whether an outlay will be material, the Company considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.
- (ii) Recorded costs of flow-through share premium liabilities reflect the premium received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainty and requires the Company to assess the value of non-flow through shares. This determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability.
- (iii) The determination of the fair value of stock options or warrants using pricing models requires the input of highly subjective variables, including expected price volatility. Wide fluctuations in the variables could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.
- (iv) The provision for income taxes and composition of income tax assets and liabilities require management's judgment. The application of income tax legislation also requires judgment in order to interpret legislation and apply those findings to the Company's transactions.

**Judgments**

- (i) The 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 business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption were not appropriate for the financial statements, then adjustments to the carrying value of assets and liabilities, the reported expenses and the consolidated statement of financial position would be necessary (note 1).

## Maxtech Ventures Inc.

### Notes to the Consolidated Financial Statements

For the years ended July 31, 2020 and July 31, 2019

#### 2. Significant accounting policies (continued)

##### (p) Use of estimates and critical judgments (continued)

###### Judgments (continued)

- (ii) The functional currency for the Company is the currency of the primary economic environment in which the entity operates. The Company has determined that the functional currency is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.
- (iii) Management has determined that there are no indicators of impairment of the exploration and evaluation assets, which have been recognized on the consolidated statements of financial position. Management uses several criteria in its assessments of whether or not impairment indicators exist as outlined in IFRS 6 *Exploration for and Evaluation of Mineral Resources*, which includes whether the period for which the Company has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed, whether substantive expenditure on further exploration is neither budgeted nor planned, and other factors such as exploration results, metal prices, project economics, financing prospects and sale or option prospects.

#### 3. Exploration and evaluation assets

Changes in the project carrying amounts for the years ended July 31, 2019 and July 31, 2020 are summarized as follows:

	Mato Grosso Brazil Project	Bahia Brazil Project	Panama Lake Gold Project	Lac Patu Vanadium Project	James Bay Project	Other	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Balance, August 1, 2018</b>	420,031	4,176	-	-	-	10,603	434,810
Acquisition	-	-	-	165,000	-	-	165,000
Administration	10,000	-	-	-	-	-	10,000
Geologist and consulting	8,800	2,500	-	-	-	6,963	18,263
Impairment	(438,831)	(6,676)	-	-	-	-	(445,507)
<b>Balance, July 31, 2019</b>	-	-	-	165,000	-	17,566	182,566
<b>Balance, August 1, 2019</b>	-	-	-	165,000	-	17,566	182,566
Acquisition	-	-	174,400	-	5,000	-	179,400
Drilling	-	-	260,703	-	-	-	260,703
Geologist and consulting	-	-	121,657	-	-	(3,863)	117,794
Helicopter	-	-	128,323	-	-	-	128,323
Travel	-	-	50,007	-	-	-	50,007
Impairment	-	-	-	(165,000)	-	-	(165,000)
<b>Balance, July 31, 2020</b>	-	-	735,090	-	5,000	13,703	753,793

##### Mato Grosso Brazil Project

During the year ended July 31, 2017, the Company acquired four mineral claims in Brazil. The terms of the acquisition included a payment of US\$10,000 and the issuance of 400,000 common shares with a fair value of \$80,000. The Company abandoned its interest in the Mato Grosso Brazil Project during the year ended July 31, 2019 and therefore recorded an impairment equal to the carrying value of the asset.

##### Bahia Brazil Project

On July 20, 2018, two vanadium mineral claims were filed with the Departamento Nacional de Produção Mineral in the state of Bahia, Brazil. The Company abandoned its interest in the Bahia Brazil Project during the year ended July 31, 2019 and therefore recorded an impairment equal to the carrying value of the asset.

---

## Maxtech Ventures Inc.

### Notes to the Consolidated Financial Statements

---

For the years ended July 31, 2020 and July 31, 2019

---

#### 3. Exploration and evaluation assets (continued)

##### Panama Lake Gold Project

On October 22, 2019, the Company entered into an option agreement with Benton Resources Inc. ("Benton") to acquire the right to acquire a 100% interest in Benton's Panama Gold Project in the Red Lake Mining district, Ontario. The purchase and sale of the claims is to be achieved in stages and is conditional upon the following:

- Acceptance for filing of this agreement on behalf of the issuer by the Canadian Securities Exchange;
- The issuance of 2,000,000 shares upon signing the agreement (issued at a fair value of \$170,000 (\$0.085 per share));
- The payment of either \$100,000 cash or the equivalent value in common shares (see note 12) and expenditures by the issuer of \$200,000 (incurred) on the property by the first anniversary; and
- The payment of either \$100,000 cash or the equivalent value in common shares and expenditures by the issuer of \$250,000 on the property by the second anniversary.

At this stage, the Company will have earned an initial 50% interest in the Project. To earn an additional 20% interest, the following is required:

- The payment of either \$100,000 cash or the equivalent value in common shares and expenditures by the issuer of \$250,000 on the property by the third anniversary.

At this stage, the Company will have earned a 70% interest in the Project. To earn the final 30% interest, the following is required:

- The payment of either \$300,000 cash or the equivalent value in common shares and expenditures by the issuer of \$300,000 on the property by the fourth anniversary.

##### Lac Patu Vanadium Project

On August 15, 2019, the Company entered into an option agreement to acquire 100% of the Lac Patu Vanadium Project over a 2-year period. The Lac Patu Vanadium Project consists of mineral claims located in Quebec, Canada.

In order to earn the 100% interest, the Company is required to make cash payments totaling \$185,000 and issue 3,250,000 common shares as follows:

- Pay \$45,000 (paid) and issue 750,000 common shares (issued with a fair value of \$120,000 (\$0.16 per share)) on signing (issued);
- Pay \$60,000 (not paid) and issue 1,000,000 common shares twelve months after signing (not issued); and
- Pay \$80,000 and issue 1,500,000 common shares twenty-four months after signing.

The property is subject to a 2% net smelter royalty ("NSR"). The Company may purchase 1% of the NSR for a cash payment of \$1,000,000.

The Company abandoned its interest in the Lac Patu Vanadium Project during the year ended July 31, 2020 and therefore recorded an impairment equal to the carrying value of the asset (\$165,000).

In connection with the termination of the option agreement, the Company agreed to issue a total of 240,000 units with a fair value of \$15,963 (\$0.067 per unit) (note 4).

##### James Bay Project

In January 2020, the Company signed a land package acquisition in James Bay Quebec. The Company owns 100% of the James Bay Project in a gold district in the same greenstone belt as the recent Azimut Exploration Elmer Property.



---

## Maxtech Ventures Inc.

### Notes to the Consolidated Financial Statements

---

For the years ended July 31, 2020 and July 31, 2019

---

#### 4. Share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value. All issued shares are fully paid.

##### Transactions for the issue of share capital during the year ended July 31, 2020:

- (a) On May 8, 2020, the Company completed the second tranche of a non-flow-through unit offering consisting of the sale of 1,705,882 non-flow-through units at a price of \$0.085 per non-flow-through unit for gross proceeds of \$145,000. Each non-flow-through unit consists of one non-flow-through common share and one share purchase warrant, with each warrant being exercisable into a non-flow-through common share at an exercise price of \$0.12 until May 8, 2021. No value was allocated to the warrant component of the units sold.
- (b) On May 8, 2020, the Company issued 1,205,882 common shares with a fair value of \$0.085 per share to settle debts totaling \$102,500. Of this amount, \$60,000 was owed to a company controlled by an Officer of the Company, with the remaining \$42,500 being owed to a consultant for services performed. No gain or loss was recognized in connection with this debt settlement.
- (c) On March 31, 2020, the Company issued 240,000 units as a termination payment on the Lac Patu Vanadium Project (note 3) with a fair value of \$0.067 per unit. Each unit consists of one common share in the Company and one share purchase warrant. Each warrant is exercisable into an additional common share of the Company at an exercise price of \$0.12 until March 31, 2021. No value was allocated to the warrant component of the units issued.
- (d) On March 16, 2020, the Company issued 500,000 common shares with a fair value of \$0.065 per share to settle a debt of \$32,500 for services performed by a consultant. There was no gain or loss recognized in connection with the debt settlement.
- (e) On March 11, 2020, the Company completed a flow-through unit offering consisting of the sale of 4,057,406 flow-through units at a price of \$0.095 per flow-through unit for gross proceeds of \$385,454. Each flow-through unit consists of one flow-through common share and one share purchase warrant, with each warrant being exercisable into a non-flow-through common share at an exercise price of \$0.12 until March 11, 2021.

The flow-through units were issued at a premium to the trading value of the Company's common shares, which is a reflection of the value of the income tax write-offs that the Company will renounce to the flow-through shareholders. The premium was determined to be \$40,574 and has been recorded as a reduction of share capital. An equivalent flow-through share premium liability has been recorded, which is being reversed pro-rata as the required exploration expenditures are incurred (see note 11).

Further, pursuant to the Company's significant accounting policy, the Company determined that the residual value of the warrant component of the flow-through units sold was \$0.03 per flow-through unit, for a total of \$121,700.

- (f) On March 11, 2020, the Company completed the first tranche of a non-flow-through unit offering consisting of the sale of 1,523,582 non-flow-through units at a price of \$0.085 per non-flow-through unit for gross proceeds of \$129,504. Each non-flow-through unit consists of one non-flow-through common share and one share purchase warrant, with each warrant being exercisable into a non-flow-through common share at an exercise price of \$0.12 until March 11, 2021.

Pursuant to the Company's significant accounting policy, the Company determined that the residual value of the warrant component of the non-flow-through units sold was \$0.03 per non-flow-through unit, for a total of \$45,700.

**4. Share capital (continued)****Transactions for the issue of share capital during the year ended July 31, 2020 (continued):**

In connection with the flow-through and non-flow-through unit offerings completed on March 11, 2020, the Company paid finders' fees of \$6,000 and issued a total of 246,856 finders' units with a fair value of \$20,983 (\$0.085). The finders' units have the same terms as the non-flow-through units sold, and accordingly, the residual value of the warrant component was determined to be \$0.03 per finders' unit, for a total of \$7,406. The Company also issued a total of 265,597 finders' warrants, each exercisable into a non-flow-through common share of the Company at a price of \$0.12 until March 11, 2021. The fair value of the finders' warrants was determined to be \$3,057 using the Black-Scholes option pricing model with the following inputs: i) exercise price: \$0.12; ii) share price: \$0.06; iii) term: 1 year; iv) volatility: 100%; v) discount rate: 0.53%.

- (g) On October 25, 2019, the Company issued 2,000,000 common shares at a fair value of \$170,000 (\$0.085 per share) pursuant to the option agreement on the Panama Lake Gold Project (note 3).
- (h) On September 20, 2019 and October 21, 2019, the Company closed the first and second tranches, respectively, of a non-brokered private placement comprising a total of 6,030,000 non-flow-through units of the Company at a price of \$0.05 per non-flow-through unit for gross proceeds of \$301,500. Each non-flow-through unit consists of one non-flow-through common share and one share purchase warrant, with each warrant being exercisable into a non-flow-through common share at an exercise price of \$0.10 until September 20, 2020 (3,030,000 warrants) and October 21, 2020 (3,000,000 warrants). No value was allocated to the warrant component of the units issued.
- (i) On September 16, 2019, the Company issued 500,000 shares with a fair value of \$0.09 per share to settle a debt of \$45,000 for services performed by a consultant. There was no gain or loss recognized in connection with the debt settlement.

**Transactions for the issue of share capital during the year ended July 31, 2019:**

- (a) On July 16, 2019, the Company issued 1,000,000 shares valued at a fair value of \$0.03 per share totaling \$30,000 as partial payment for work performed by a consultant, which was included as an expense under consulting and management fees.
- (b) On November 20, 2018, the Company issued 750,000 shares at a fair value of \$0.16 per share totaling \$120,000 as deposits on the purchase of 100% rights, title and interest in mineral claims in Quebec, which was included as an addition to the exploration and evaluation assets for the Lac Patu Vanadium Project.
- (c) On October 2, 2018, the Company issued 800,000 shares at a fair value of \$0.25 per share totaling \$200,000 to settle debt for work performed by a consultant in the prior fiscal year, which was originally included as an expense under consulting and management fees in the year ended July 31, 2018.
- (d) On September 17, 2018, the Company issued 700,000 shares at a deemed value of \$0.25 per share totaling \$175,000 for work performed by a consultant, which was included as an expense under consulting and management fees. The fair value of the shares was \$0.10 on the date of the share issuance, so the Company recognized a gain on debt settlement of \$105,000.

---

**Maxtech Ventures Inc.****Notes to the Consolidated Financial Statements**

---

**For the years ended July 31, 2020 and July 31, 2019**

---

**4. Share capital (continued)****Stock options**

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 20% of the outstanding shares. Options granted under the Plan may have a maximum term of 5 years. The exercise price of options granted under the Plan will not be less than the closing price of the Company's shares on the CSE on the trading day immediately before the date of grant, less the discount permitted. The options vest at the discretion of the Board of Directors.

A summary of the status of the Company's stock options as at July 31, 2020 and July 31, 2019 and changes during the years then ended is as follows:

	Year ended July 31, 2020		Year ended July 31, 2019	
	Options #	Exercise price \$	Options #	Exercise price \$
Options outstanding, beginning of year	-	-	5,950,000	0.40
Granted	6,700,000	0.11	-	-
Cancelled or forfeit	-	-	(5,950,000)	0.40
<b>Options outstanding, end of year</b>	<b>6,700,000</b>	<b>0.11</b>	<b>-</b>	<b>-</b>

As at July 31, 2020, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price \$	Weighted average remaining life (years)	Expiry date
2,500,000	2,500,000	0.08	1.67	March 31, 2022
4,200,000	4,200,000	0.12	1.46	January 15, 2022
<b>6,700,000</b>	<b>6,700,000</b>	<b>0.11</b>	<b>1.54</b>	

On March 31, 2020, the Company issued 2,500,000 share purchase options to consultants and directors of the Company. These options entitle the holder to purchase one share for \$0.08 for two years from the date of grant. These options granted had a fair value of \$59,439 using the Black-Scholes option pricing model with the following inputs: i) exercise price: \$0.08; ii) share price: \$0.055; iii) term: 2 years; iv) volatility: 100%; v) discount rate: 0.46%.

On January 15, 2020, the Company issued 4,200,000 share purchase options to consultants and directors of the Company. These options entitle the holder to purchase one share for \$0.12 for two years from the date of grant. These options granted had a fair value of \$234,483 using the Black-Scholes option pricing model with the following inputs: i) exercise price: \$0.12; ii) share price: \$0.11; iii) term: 2 years; iv) volatility: 100%; v) discount rate: 1.66%.

The total share-based payment expense for the year ended July 31, 2020 was \$293,922 (2019 – \$nil), which is presented within operating expenses, and includes only the options that vested during the year.

During the year ended July 31, 2019, 5,950,000 stock options were cancelled. As a result, the original share-based payment expense of \$2,118,086 was reversed from reserves and credited to contributed surplus.

---

**Maxtech Ventures Inc.****Notes to the Consolidated Financial Statements**

---

**For the years ended July 31, 2020 and July 31, 2019**

---

**4. Share capital (continued)****Warrants**

As an incentive to complete private placements, the Company may issue units which consist of common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to private placement units.

A summary of the status of the Company's warrants as at July 31, 2020 and July 31, 2019, and changes during the years then ended is as follows:

	Year ended July 31, 2020		Year ended July 31, 2019	
	Warrants #	Exercise price \$	Warrants #	Exercise price \$
Warrants outstanding, beginning of year	3,306,512	0.42	4,806,512	0.38
Issued	14,069,323	0.11	-	-
Expired	(2,706,512)	0.45	(1,500,000)	0.07
<b>Warrants outstanding, end of year</b>	<b>14,669,323</b>	<b>0.12</b>	<b>3,306,512</b>	<b>0.42</b>

As at July 31, 2020, the Company had private placement warrants outstanding and exercisable as follows:

Warrants outstanding #	Exercise price \$	Weighted average remaining life (years)	Expiry date
600,000	0.30	0.15	September 22, 2020
3,030,000	0.10	0.14	September 19, 2020
3,000,000	0.10	0.22	October 21, 2020
6,093,441	0.12	0.61	March 11, 2021
240,000	0.12	0.67	March 31, 2021
1,705,882	0.12	0.77	May 8, 2021
<b>14,669,323</b>		<b>0.43</b>	

See note 12 for details relating to the extension of the expiration date of 3,630,000 warrants, as well as the expiry of 3,000,000 warrants.

**Reserves and contributed surplus**

Reserves record items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital. Contributed surplus records items that had been recognized as share-based compensation expense and other share-based payments after those items have expired or have been forfeited or cancelled.

**5. Loss per share**

The calculation of basic and diluted loss per share for the year ended July 31, 2020 is based on the loss attributable to common shareholders of \$1,175,417 (2019 - \$845,961) and a weighted average number of common shares outstanding of 67,671,152 (2019 – 56,145,684).

All stock options and warrants were excluded from the diluted weighted average number of shares calculation, as their effect would have been anti-dilutive.

---

**Maxtech Ventures Inc.****Notes to the Consolidated Financial Statements**

---

**For the years ended July 31, 2020 and July 31, 2019**

---

**6. Related party payables and transactions**

The Company's related parties include key management personnel and Directors, and companies in which they have control or significant influence over the financial or operating policies of those entities.

The fair value of 2,865,000 stock options granted to Directors and Officers during the year ended July 31, 2020 was \$153,060 (2019 – no options were granted to Director or Officers).

During the year ended July 31, 2019, 3,275,000 stock options held by Directors and Officers were cancelled. The options had a fair value on grant date of \$1,331,541, which was reversed from reserves and credited to contributed surplus.

Key management compensation

- (a) During the year ended July 31, 2020, the Company paid or accrued \$90,000 in management fees to the Chief Executive Officer ("CEO") or a company which the CEO is a partner of (2019 - \$90,000). As at July 31, 2020, \$2,190 (July 31, 2019 - \$199,534) is included in due to related parties for amounts due to the CEO or a company which the CEO is a partner.
- (b) During the year ended July 31, 2020, the Company paid of accrued \$25,523 in geological consulting fees to a company controlled by the Company's Vice President of Exploration ("VPE"), who was appointed in November 2019. As at July 31, 2020, \$6,215 (July 31, 2019 - \$nil) is included in due to related parties.
- (c) During the year ended July 31, 2019, the Company paid \$2,000 in fees to a company controlled by the former CFO of the Company for accounting and administrative services. As at July 31, 2020, \$nil (July 31, 2019 - \$nil) is included in due to related parties for these services.

---

**Maxtech Ventures Inc.****Notes to the Consolidated Financial Statements**

---

**For the years ended July 31, 2020 and July 31, 2019**

---

**7. Income taxes**

Income tax recovery varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before income taxes as follows:

	<b>July 31, 2020</b>	July 31, 2019
	<b>\$</b>	<b>\$</b>
Loss for the year before income taxes	(1,175,417)	(845,961)
Statutory Canadian corporate tax rate	27.00%	27.00%
Anticipated income tax recovery	317,363	228,400
Change in tax resulting from:		
Unrecognized items for tax purposes	(70,484)	(28,350)
Impact of flow-through shares	(94,770)	-
Other, including the impact of rate changes and adjustments	44,891	50,950
Tax benefits unrecognized	(197,000)	(251,000)
<b>Income tax (expense) recovery</b>	<b>-</b>	<b>-</b>

The significant components of the Company's unrecognized deferred income tax assets are as follows:

	<b>July 31, 2020</b>	July 31, 2019
	<b>\$</b>	<b>\$</b>
Exploration and evaluation assets	197,000	323,000
Non-capital loss carry forwards	1,404,000	1,100,000
Other	142,000	123,000
Tax benefits unrecognized	(1,743,000)	(1,546,000)
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>

As at July 31, 2020, the Company has unclaimed resource deductions in the amount of approximately \$730,000 (July 31, 2019 - \$1,196,000), which may be deductible against future taxable income.

As at July 31, 2020, the Company has unused non-capital losses of approximately \$5,200,000 (July 31, 2019 - \$4,073,000) with expirations ranging from 2027 to 2040.

Income tax attributes are subject to review, and potential adjustments, by tax authorities.

**8. Supplemental cash flow information**

Changes in non-cash operating working capital during the years ended July 31, 2020 and July 31, 2019 were comprised of the following:

	<b>July 31, 2020</b>	July 31, 2019
	<b>\$</b>	<b>\$</b>
Prepaid expenses	(7,338)	24,430
Accounts payable and accrued liabilities	295,577	14,510
Due to related parties	(197,344)	199,534
<b>Net change</b>	<b>90,895</b>	<b>238,474</b>

---

**Maxtech Ventures Inc.****Notes to the Consolidated Financial Statements**

---

**For the years ended July 31, 2020 and July 31, 2019**

---

**8. Supplemental cash flow information (continued)**

The Company incurred non-cash financing and investing activities during the years ended July 31, 2020 and July 31, 2019 as follows:

	July 31, 2020	July 31, 2019
	\$	\$
Non-cash financing activities:		
Reserves on private placement warrants issued	167,400	-
Share capital reduced by flow-through premium liability	40,574	-
Reserves on finders' warrants issued	10,463	-
	<b>218,437</b>	-
Non-cash investing activities:		
Common shares issued for acquisition of exploration and evaluation	170,000	120,000
Deferred exploration expenditures included in accounts payable and related party payables	317,086	-
	<b>487,086</b>	120,000

During the years ended July 31, 2020 and July 31, 2019, no amounts were paid for interest or income tax expenses.

**9. Financial risk management****Capital management**

The Company is a resource exploration company and considers items included in shareholders' equity (deficit) as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at July 31, 2020 is comprised of shareholders' equity of \$239,972 (July 31, 2019 – shareholders' deficiency of \$159,380).

The Company currently has no source of revenues. In order to fund future projects and pay for general and administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to sell or option its mineral properties and its ability to borrow or raise additional financing from equity markets (see note 1).

**Financial instruments - fair value**

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, and due to related parties. The carrying value of accounts payable and accrued liabilities, and due to related parties approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the consolidated statement of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

---

**Maxtech Ventures Inc.****Notes to the Consolidated Financial Statements**

---

**For the years ended July 31, 2020 and July 31, 2019**

---

**9. Financial risk management (continued)****Financial instruments - fair value (continued)**

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>July 31, 2020</b>				
Cash	59,716	-	-	59,716
	<b>59,716</b>	<b>-</b>	<b>-</b>	<b>59,716</b>
<b>July 31, 2019</b>				
Cash	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Financial instruments - risk**

The Company's financial instruments can be exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and market and currency risk.

**(a) Credit risk**

The Company is exposed to credit risk by holding cash. All of the Company's cash is held in financial institutions in Canada, and management believes the exposure to credit risk with respect to such institutions is not significant.

**(b) Interest rate risk**

The Company is not exposed to interest risk as it does not hold financial securities or debt that would be impacted by fluctuating interest rates.

**(c) Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources. See note 1 for further details.

**(d) Market and currency 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. A change of 100 basis points in interest rates would not be material to the financial statements.
- Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. Assuming all other variables are held constant with an increase or a decrease of 10% of the US dollar against the Canadian dollar, the net loss of the Company and the equity for the year ended July 31, 2020 would not have changed as it had no US dollar denominated assets or liabilities.
- The Company had no hedging agreements in place with respect to foreign exchange rates.



**10. Contingency**

The Company has received a statement of claim in respect of a mining property that the Company has abandoned. The Company is currently not in a position to determine what portion of the amount, if any, it will be liable for, but it is expected to be less than \$80,000 and the issuance of 1,000,000 common shares. As at July 31, 2020, the Company has accrued \$15,000 for claim maintenance fees that it has agreed to reimburse to the claimant. No other amounts have been accrued for as at July 31, 2020.

**11. Commitment****Flow-through premium:**

On March 11, 2020, the Company completed a private placement of flow-through units for gross proceeds of \$385,454 (note 4). The Company is required to spend the funds on qualified exploration programs no later than December 31, 2021. The Company will renounce the expenditures and available income tax benefits to the flow-through shareholders effective December 31, 2020. As at July 31, 2020, approximately \$351,000 of the funds had been spent.

Under the Income Tax Act flow-through look-back rules, the Company has until December 31, 2021 to spend the remaining amount of flow-through funds. Amounts spent after February 1, 2021, are subject to a floating rate interest tax, which is currently set at 2% per annum.

**12. Events after the reporting period**

(a) On September 4, 2020, the Company extended the expiration date of 600,000 warrants from September 22, 2020 to September 22, 2021 and 3,030,000 warrants from September 19, 2020 to September 19, 2021.

(b) On September 4, 2020, the Company completed the first tranche of a non-flow-through unit offering consisting of the sale of 12,128,824 non-flow-through units at a price of \$0.085 per non-flow-through unit for gross proceeds of \$1,030,950. Each non-flow-through unit consists of one non-flow-through common share and one share purchase warrant, with each warrant being exercisable into a non-flow-through common share at an exercise price of \$0.12 until September 4, 2023.

In connection with the unit offering completed, the Company paid finders' fees of \$6,626 and issued a total of 66,400 finders' warrants, with each warrant being exercisable into a non-flow-through common share of the Company at an exercise price of \$0.12 until September 4, 2023.

Concurrent with the financing, the Company issued 444,706 non-flow-through units to settle debt totalling \$37,800.

(c) On October 14, 2020 (the "Effective Date"), the Company entered into a Definitive Joint Venture Earn-in Agreement (the "JV Agreement") with Magabra Resources Inc. ("Magabra"), which superseded a Letter of Intent dated August 10, 2020. Pursuant to the JV Agreement, the Company and Magabra will jointly explore a series of claims compiling the St. Anthony Gold Project located in the Kenora-Patricia mining district in Ontario, Canada.

Pursuant to the JV Agreement, the Company can earn an initial 8% interest (the "First Option") as follows:

- Issuing to Magabra a total of 4,000,000 common shares (issued on November 4, 2020);
- Payment of \$300,000 to Magabra (paid subsequently);
- Completing a financing of at least \$3,000,000 within 30 days of the Effective Date; and
- Issuing to Magabra a total of 400,000 warrants with an exercise price of \$0.08 and a maturity date that is two years from issuance (subsequently issued).

The Company can earn an additional 8% interest (the "Second Option") as follows:

- On completion of the First Option, completing a financing of at least \$3,000,000 within 30 days.

**12. Events after the reporting period** (continued)

The Company can earn an additional 34% interest (the "Third Option") as follows:

- On completion of the Second Option, completing a financing of at least \$12,000,000 within 12 months of the Effective Date.

On completion of the Third Option, the Company will have earned a 50% interest in the claims. Further, the JV Agreement includes the provision for a bonus payment to Magabra in the form of 4,000,000 common shares of the Company, so long as Magabra has a continued interest in the claims and upon completion of a National Instruments 43-101 compliant proven resource calculation for the first 1,000,000 ounces of gold identified, with an additional 1,000,000 common shares issuable for each additional 1,000,000 ounces under similar resource calculations.

Magabra will serve as project manager for all work programs to be conducted on the claims.

- (d) On October 21, 2020, 3,000,000 share purchase warrants exercisable at \$0.10 per warrant expired unexercised.
- (e) On November 4, 2020, the Company completed the second tranche of a non-flow-through unit offering consisting of the sale of 311,647 non-flow-through units at a price of \$0.085 per non-flow-through unit for gross proceeds of \$26,490. Each non-flow-through unit consists of one non-flow-through common share and one share purchase warrant, with each warrant being exercisable into a non-flow-through common share at an exercise price of \$0.12 until November 4, 2023.

The Company also issued a total of 2,303,000 flow-through units at a price of \$0.095 per flow-through unit for gross proceeds of \$218,785. Each flow-through unit consists of one flow-through common share and one share purchase warrant, with each warrant being exercisable into a non-flow-through common share at an exercise price of \$0.12 until November 4, 2021.

In connection with the unit offerings completed, the Company paid finders' fees of \$10,438 and issued 20,580 finders' warrants exercisable at a price of \$0.12 until November 4, 2023, 1,236 finders' warrant exercisable at \$0.085 until November 4, 2022, and 161,210 finders' warrants exercisable at \$0.095 until November 4, 2022. All finders' warrants are exercisable into non-flow-through common shares of the Company.

Concurrent with the financing, the Company issued 195,000 common shares to settle debt totalling \$19,500.

- (f) On November 13, 2020, the Company issued 1,666,666 common shares with a total fair value of \$100,000 (\$0.06 per share) in connection with the Panama Lake Gold Project option agreement (note 3).