CANADA COAL INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(EXPRESSED IN CANADIAN DOLLARS)

McGovern Hurley LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditor's Report

To the Shareholders of Canada Coal Inc.

Opinion

We have audited the consolidated financial statements of Canada Coal Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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. 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.

Other information

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

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 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.

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

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of 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 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 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 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 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 judgement 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 risks 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 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 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 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.

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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 of the audit resulting in this independent auditor's report is Jessica Glendinning.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
November 7, 2019

CANADA COAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT

		September 30, 2019		September 30, 2018
ASSETS				
Current				
Cash and cash equivalents (Note 7)	$	1,357,011	$	1,596,128
Receivables (Note 8)		3,466		6,092
Prepaid expenses (Note 9)		5,146		5,146
Total Assets	$	1,365,623	$	1,607,366
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 10)	$	18,683	$	37,609
Total Liabilities		18,683		37,609
Shareholders' equity				
Capital stock (Note 11)		7,936,101		7,936,101
Reserves (Note 11)		300,941		302,431
Deficit		(6,890,102)		(6,668,775)
Total Shareholders' Equity		1,346,940		1,569,757
Total Liabilities and Shareholders' Equity	$	1,365,623	$	1,607,366

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 14)

On behalf of the Board:

"R. B. Duncan", Director "T. A. Fenton", Director

See accompanying notes to the consolidated financial statements.

CANADA COAL INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30

	2019	2018
EXPENSES		
Management fees (Note 10)	$ 156,000	$ 156,000
Office, rent, and miscellaneous	14,929	14,291
Professional fees (Notes 10)	14,906	25,212
Shareholder communications and promotion	-	1,498
Transfer agent and filing fees	10,514	21,309
Opportunity investigation costs (Note 10)	43,608	66,439
Loss before other items	239,957	284,749
OTHER ITEMS		
Investment income	(17,140)	(11,976)
Net loss and comprehensive loss for the year	$ 222,817	$ 272,773
Basic and diluted net loss per common share	$ 0.01	$ 0.01
Weighted average number of common shares outstanding – basic and diluted	31,724,875	28,574,190

See accompanying notes to the consolidated financial statements.

CANADA COAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the year	$ (222,817)	$ (272,773)
Change in non-cash working capital items:		
Decrease (increase) in receivables	2,626	(2,860)
(Increase) in prepaid expenses	-	(395)
(Decrease) increase in accounts payable and accrued liabilities	(18,926)	18,590
Net cash flows (used by) operating activities	(239,117)	(257,439)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	-	700,000
Share issue costs	-	(16,544)
Net cash flows from financing activities	-	683,456
(Decrease) increase in cash and cash equivalents	$ (239,117)	$ 426,017
Cash and cash equivalents, beginning of year	1,596,128	1,170,111
Cash and cash equivalents, end of year	$ 1,357,011	$ 1,596,128

Cash and cash equivalents, comprised of:

	2019	2018
Cash	$ 252,419	$ 508,677
Short term money market investments	1,104,592	1,087,451
	$ 1,357,011	$ 1,596,128

See accompanying notes to the consolidated financial statements.

CANADA COAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED

			Reserves			
	Number of Shares	Capital Stock	Equity Settled Share-Based Payments Reserve	Warrant Reserve	Deficit	Total
Balance, September 30, 2017	21,724,875	$ 7,440,037	$ 115,039	$ -	$ (6,396,002)	$ 1,159,074
Issued pursuant to private placement	10,000,000	508,072	-	191,928	-	700,000
Share issue costs - cash	-	(12,008)	-	(4,536)	-	(16,544)
Net loss and comprehensive loss for the year	-	-	-	-	(272,773)	(272,773)
Balance, September 30, 2018	31,724,875	$ 7,936,101	$ 115,039	$ 187,392	$ (6,668,775)	$ 1,569,757
Expiry of options	-	-	(1,490)	-	1,490	-
Net loss and comprehensive loss for the year	-	-	-	-	(222,817)	(222,817)
Balance, September 30, 2019	31,724,875	$ 7,936,101	$ 113,549	$ 187,392	$ (6,890,102)	$ 1,346,940

See accompanying notes to the consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Canada Coal Inc. (hereafter the "Company" or "Canada Coal") was incorporated on August 26, 2010 under the Business Corporation Act (Ontario) under the name Pacific Coal Corp. On April 12, 2011, the Company changed its name to Canada Coal Inc. The Company's principal business has been the acquisition and exploration of coal properties in Nunavut, Canada however it is currently exploring other business opportunties. The Company has not generated significant revenues from its operations.

The Company's head office is located at 181 Bay Street, Suite 1800, Toronto, Ontario, M5J 2T9.

These consolidated financial statements were approved by the Board of Directors on November 7, 2019.

These consolidated financial statements have been prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at September 30, 2019, the Company had working capital of $1,346,940 and an accumulated deficit of $6,890,102 compared with working capital of $1,569,757 and an accumulated deficit of $6,668,775 as at September 30, 2018. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and its interpretations.

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Principles of consolidation
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 5200 Nunavut Ltd., a company incorporated under the laws of Nunavut. The subsidiary previously held title to coal licences however it currently has no assets or liabilities as all coal licenses have expired. The subsidiary is inactive. Significant inter-company balances and transactions have been eliminated upon consolidation. All references to the Company should be treated as references to Canada Coal Inc. and its subsidiary.

Subsidiaries are entities over which the Company has control, where control is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents
Cash and cash equivalents include balances with banks and short-term money market investments with original maturities of 90 days or less which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and are available on demand by the Company.

Foreign currency translation
The Canadian dollar is the functional and reporting currency of the Company and its subsidiary. All monetary assets and liabilities are translated at the rate of exchange at the financial reporting date and non-monetary assets and liabilities are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rates in effect on the statement of financial position date. Income and expenses are translated at the rates approximating those at the transaction dates. Gains and losses arising from translation of foreign currency monetary assets and liabilities are recognized in the consolidated statement of loss.

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 benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

A provision for onerous contacts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at September 30, 2019 and 2018.

Share-based payment transactions
In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The fair value of stock options granted to employees is recognized as an expense over the vesting period with a corresponding increase in the equity settled share-based payments reserve account. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Unexercised expired stock options are transferred to deficit.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Warrants
Warrants are recognized at fair value on the date of grant and are measured using the Black-Scholes option pricing model. Incremental costs directly attributable to the issue of new warrants are shown in equity as a deduction, net of tax, from the proceeds. Unexercised expired warrants are transferred to deficit.

Income taxes
Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided 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 tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred 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 reviewed at each reporting date and to the extent that the Company does not consider it probable that a future tax asset will be recovered, it is not recognized.

Loss per share
The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The proceeds upon the exercise of the options and warrants are used to purchase common shares at the average market price during the period. During the years ended September 30, 2019 and 2018, all the outstanding stock options and warrants were anti-dilutive.

Comprehensive loss
Other comprehensive loss represents the change in net equity for the period that arises from realized and unrealized gains and losses on FVTOCI financial instruments. Amounts included in other comprehensive loss are shown net of tax. Cumulative changes in other comprehensive loss are presented separately in the consolidated statement of changes in equity. The Company has no financial assets classified as FVTOCI, and accordingly, net loss is equivalent to comprehensive loss.

Use of estimates
The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of the assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year. The impact of these estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. Estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant estimates made by the Company include inputs used for share-based payment transactions, inputs used for valuation of warrants and valuation of deferred tax assets and liabilities. Actual results could differ from those estimates.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates (Continued)
The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Changes in accounting policies

IFRS 9, Financial Instruments
Effective October 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes lAS 39, Financial Instruments: recognition and measurement (lAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's consolidated financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

The new hedge accounting guidance had no impact on the Company's consolidated financial statements. Below is a summary showing the classification and measurement bases of our financial instruments as at October 1, 2018 as a result of adopting IFRS 9 (along with comparison to lAS 39).

Classification	**IAS 39**	**IFRS 9**
Cash	Loans and receivables (amortized cost)	Amortized cost
Cash equivalents	FVTPL	FVTPL
Receivables	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

Financial assets
Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

- Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash equivalents have been classified as FVTPL.

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest." The Company's cash and receivables are classified as financial assets and measured at amortized cost.

- Financial Assets recorded at FVTOCI

Financial assets measured at FVTOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVTOCI. The Company does not measure any financial assets at FVTOCI.

Financial liabilities
Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination. The Company's accounts payable and accrued liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

- Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs
Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement
Instruments classified as FVTPL are measured at fair value with realized and unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with realized and unrealized gains and losses recognized in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected Credit Loss Impairment Model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company’s consolidated financial statements. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due. The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At September 30, 2019 and 2018, the Company's financial instruments that were carried at fair value, consisted of cash equivalents which have been classified as Level 2 within the fair value hierarchy.

New Accounting Standards Issued Not Yet Effective

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 “Leases” (“IFRS 16”), which requires lessees to recognize assets and liabilities for most leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively. The Company does not expect IFRS 16 to have any impact on its consolidated financial statements as the Company does not have any leases.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

5. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management considers the Company’s capital structure to primarily consist of the components of shareholder’s equity.

The Company is dependent on external financing to fund its activities. In order to carry out future activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company continues to seek and assess new opportunities to acquire an interest in additional

5. CAPITAL MANAGEMENT (Continued)

properties or projects if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the years ended September 30, 2019 and 2018.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

6. FINANCIAL RISK FACTORS

There have been no changes in the risks, objectives, policies and procedures from the previous period. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
The Company's credit risk is primarily attributable to receivables. The receivables primarily relate to sales tax due from the Federal Government of Canada. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to its receivables is remote.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has sufficient cash to meet its current short and mid-term funding requirements.

Market risk
(a) Interest rate risk
The Company has cash balances therefore, interest rate risk is minimal.

(b) Foreign currency risk
The majority of the Company's administrative expenditures are transacted in Canadian dollars. The Company funds certain expenses in the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management does not hedge its foreign exchange risk. A 1% change in foreign exchange rates between the Canadian and US dollar at September 30, 2019 and 2018 would not have a significant impact on the Company's consolidated financial statements.

(c) Price risk
The Company is exposed to price risk with respect to equity prices as there is a potential adverse effect on the Company due to movements in individual equity prices or the stock market in general.

(d) Sensitivity analysis
Based on management's knowledge and experience of the financial markets, the Company does not expect material movements in the underlying market risk variables over the next twelve month period.

7. CASH AND CASH EQUIVALENTS

The Company's short term money market instruments accrue interest at 1.60% per annum (2018: 0.95%- 1.35% per annum) and are redeemable at any time without penalty.

(EXPRESSED IN CANADIAN DOLLARS)

8. RECEIVABLES

The receivables balance is comprised of the following item:

	2019	2018
Sales tax due from Federal Government	$ 3,466	$ 6,092
Total	$ 3,466	$ 6,092

9. PREPAID EXPENSES

The prepaid expense balance is comprised of the following item:

	2019	2018
Insurance	$ 5,146	$ 5,146
Total	$ 5,146	$ 5,146

10. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them or any companies where they are also a director or officer.

Trading Transactions
The Company entered into the following transactions with related parties for the years ended September 30:

	Nature of transactions	Notes	2019	2018
West Oak Capital	Management fees	a	$ 96,000	$ 96,000
Olga Nikitovic	Management fees	b	$ 60,000	$ 60,000
Aird & Berlis	Legal fees	c	$ 37,062	$ 40,059

a) West Oak Capital Partners Inc. ("West Oak") is owned by R. B. Duncan, the Company's Executive Chairman of the Board and CEO. The fees paid to West Oak are included in management fees.

b) Olga Nikitovic is the CFO of the Company. The fees paid relate to financial management and accounting services and are classified as management fees.

c) Tom Fenton, Director and Corporate Secretary for the Company is a partner with Aird & Berlis LLP. Fees of $2,626 (2018: $10,512) are included in professional fees, fees of $34,436 (2018: $22,171) are included in opportunity investigation costs and fees of $Nil (2018: $7,376) are included in share issuance costs. Legal fees included in accounts payable at September 30, 2019 are $447 (2018: $11,616). This balance payable is unsecured, non-interest bearing and due on demand.

(EXPRESSED IN CANADIAN DOLLARS)

10. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

	Notes	Year ended September 30, 2019	Year ended September 30, 2018
Salaries	a	$ 156,000	$ 156,000
Total		$ 156,000	$ 156,000

a) The Company does not pay any directors' fees nor does the Company pay any health or post employment benefits. The salaries include the fees for the Executive Chairman, CEO and CFO and are included in trading transactions above.

11. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

Capital stock

The Company has authorized an unlimited number of common shares without par value. As at September 30, 2019, the Company had 31,724,875 common shares outstanding (September 30, 2018 : 31,724,875).

There were no capital transactions during the year ended September 30, 2019.

Pursuant to a special resolution passed by shareholders on May 30, 2017, the Company consolidated its capital on a two old for one new basis effective December 11, 2017. All references to common shares, stock options and warrants and their exercise prices in these financial statements have been restated to reflect the effect of this share consolidation.

In January 2018, the Company closed a non-brokered private placement of 10,000,000 units at a price of $0.07 per unit for gross proceeds of $700,000 of which $191,928 has been allocated to warrants. Each unit consists of one common share and one half warrant. Each whole warrant is exercisable at $0.20 per share for a period of three years. Finders’ fees of $4,830 were paid.

Share purchase warrants

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

Expiry Date	Exercise Price $	Number of Warrants Outstanding	Weighted average remaining contractual life (years)	Number of Warrants Exercisable
January 23, 2021	0.20	5,000,000	1.31	5,000,000
		5,000,000	1.31	5,000,000

(EXPRESSED IN CANADIAN DOLLARS)

11. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

The following is a summary of the share purchase warrant transactions for the years ended September 30, 2019 and 2018.

	Year ended September 30, 2019		Year ended September 30, 2018	
	Number Of Warrants	Weighted Average Exercise Price $	Number Of Warrants	Weighted Average Exercise Price $
Balance, beginning of the year	5,000,000	0.20	-	-
Warrants issued	-	-	5,000,000	0.20
Warrants exercised	-	-	-	-
Warrants expired	-	-	-	-
Balance, end of year	5,000,000	0.20	5,000,000	0.20

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of warrants issued for the years ended September 30, 2019 and 2018.

	Year ended September 30, 2019	Year ended September 30, 2018
Share price	-	$0.05
Risk-free interest rate	-	1.85%
Expected dividend yield	-	0.00%
Expected stock volatility based on historical volatility	-	173%
Expected warrant life in years	-	3.0 years

Stock options

The Company may grant stock options pursuant to a stock option plan (the “Plan”) which was established in accordance with the policies of the TSX Venture Exchange. The Board of Directors administers the Plan, pursuant to which the Board may grant from time to time incentive stock options up to an aggregate maximum of 10% of the issued and outstanding shares of the Company to directors, officers, employees, consultants or advisors. The options can be granted for a maximum of 10 years.

(EXPRESSED IN CANADIAN DOLLARS)

11. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Stock options (Continued)

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

		Options Outstanding and Exercisable	
Expiry Date	Exercise Price $	Number of Options Outstanding and Exercisable	Weighted average remaining contractual life (years)
September 22, 2021	0.10	1,250,000	1.98
		1,250,000	1.98

The following is a summary of the stock option transactions for the years ended September 30, 2019 and 2018.

	Year ended September 30, 2019		Year ended September 30, 2018	
	Number Of Options	Weighted Average Exercise Price $	Number Of Options	Weighted Average Exercise Price $
Balance, beginning of the year	1,350,000	0.12	1,350,000	0.12
Options granted	-	-	-	-
Options expired	(100,000)	0.40	-	-
Balance, end of year	1,250,000	0.10	1,350,000	0.12

Stock-based compensation

There were no options granted during the years ended September 30, 2019 and 2018.

12. SEGMENTED INFORMATION

The Company previously operated in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada. The Company currently has no project. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

(EXPRESSED IN CANADIAN DOLLARS)

13. INCOME TAXES

a) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 27% (2018 – 27%) were as follows:

	2019 $	2018 $
Net loss before income taxes	(222,817)	(272,773)
Expected income tax (recovery) based on statutory rate	(60,000)	(73,000)
Adjustment to income tax benefit:		
Change in benefit of tax assets not recognized	60,000	73,000
Deferred income tax (recovery)	-	-

b) Deferred income tax

	2019 $	2018 $
<u>Unrecognized deductible temporary differences</u> Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:		
Mineral properties and exploration expenditures	2,850,000	2,850,000
Non capital loss carryforwards	1,490,000	1,263,000
Other temporary differences	60,000	63,000
Total	4,400,000	4,176,000

The tax losses expire from 2030 to 2039. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

14. COMMITMENTS AND CONTINGENCIES

The Company entered into certain management contracts which contain clauses requiring additional payments of up to $409,000 to be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.