# GO METALS CORP.

Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian dollars)

Smythe CPA

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF GO METALS CORP.

*Opinion*

We have audited the consolidated financial statements of Go Metals Corp. (the "Company"), which comprise:

- the consolidated statement of financial position as at July 31, 2020;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the 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 July 31, 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

*Basis for Opinion*

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

*Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has not generated revenues since incorporation and has an accumulated deficit of $4,515,488 as of July 31, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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 Matter*

The consolidated financial statements of the Company as at and for the year ended July 31, 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on November 21, 2019.

*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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' 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.



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*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 to cease operations, or has no realistic alternative but to do so.

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

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

November 30, 2020



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## GO METALS CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

| As at | July 31, 2020 $ | July 31, 2019 $ |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash | 39,518 | 507,512 |
| GST and other receivables | 2,999 | 13,436 |
| Prepaid expenses | 5,315 | 22,373 |
| Due from related parties (Note 7) | 11,298 | 10,408 |
| | 59,130 | 553,729 |
| Mineral properties (Note 5) | 237,000 | 237,000 |
| | 296,130 | 790,729 |
| **Liabilities and Shareholders' Equity** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | 86,660 | 36,433 |
| Due to related parties (Note 7) | 68,117 | 311 |
| Loan payable (Notes 7) | 36,131 | 35,123 |
| Flow-through premium liability (Note 6) | 2,085 | 17,514 |
| | 192,993 | 89,381 |
| **Shareholders' Equity** | | |
| Share capital (Note 6) | 3,940,462 | 3,940,462 |
| Contributed surplus | 678,163 | 668,291 |
| Deficit | (4,515,488) | (3,907,405) |
| | 103,137 | 701,348 |
| | 296,130 | 790,729 |

Approved by the Board of Directors on November 30, 2020:

*"Scott Sheldon"*
Scott Sheldon, Director & CEO

*"Donald Sheldon"*
Donald Sheldon, Director

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

## GO METALS CORP.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

| For the years ended | July 31, 2020 $ | July 31, 2019 $ |
|---|---|---|
| **Exploration expenses** (Notes 5 and 7) | **354,221** | **313,862** |
| **Administrative expenses** | | |
| Audit and accounting | 45,977 | 42,270 |
| Consulting fees | - | 19,394 |
| General and administrative | 41,785 | 98,196 |
| Interest | 1,008 | - |
| Legal (Note 7) | 6,862 | 63,975 |
| Management fees (Note 7) | 126,545 | 120,115 |
| Marketing | 17,533 | 100,434 |
| Stock-based compensation (Notes 6 and 7) | 9,872 | 170,909 |
| Transfer agent, filing and stock exchange fees | 13,865 | 33,473 |
| Travel | 5,844 | 34,627 |
| **Total administrative expenses** | **269,291** | **683,393** |
| **Net loss before other items** | **(623,512)** | **(997,255)** |
| **Other income** | | |
| Gain on option agreement (Note 5) | - | 342,500 |
| Write-off of mineral properties (Note 5) | - | (190,000) |
| **Loss before income tax** | **(623,512)** | **(844,755)** |
| **Income tax** | | |
| Flow-through share premium recovery | 15,429 | 10,540 |
| **Net loss and comprehensive loss for the year** | **(608,083)** | **(834,215)** |
| Loss per share, basic and diluted | (0.01) | (0.01) |
| Weighted average shares outstanding | 62,031,433 | 60,915,421 |

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

## GO METALS CORP.

Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

| | Share Capital | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Shares | Amount $ | Preferred Shares | Amount $ | Contributed Surplus $ | Deficit $ | Total $ |
| Balance, at July 31, 2018 | 58,603,656 | 3,677,574 | 10,595,258 | - | 413,574 | (2,830,690) | 1,260,458 |
| Distribution of K2 shares to the shareholders (Note 5) | - | - | - | - | - | (242,500) | (242,500) |
| Private placement | 1,777,777 | 401,387 | - | - | 98,613 | - | 500,000 |
| Flow-through premium | - | (28,054) | - | - | - | - | (28,054) |
| Share issue costs | - | (48,708) | - | - | 8,708 | - | (40,000) |
| Plan of arrangement (Note 4) | - | (326,000) | - | - | - | - | (326,000) |
| Shares issued for warrants exercised | 850,000 | 63,750 | - | - | - | - | 63,750 |
| Shares issued for options exercised | 300,000 | 50,513 | - | - | (23,513) | - | 27,000 |
| Shares issued for property | 500,000 | 150,000 | - | - | - | - | 150,000 |
| Stock-based compensation | - | - | - | - | 170,909 | - | 170,909 |
| Net loss for the year | - | - | - | - | - | (834,215) | (834,215) |
| Balance, at July 31, 2019 | 62,031,433 | 3,940,462 | 10,595,258 | - | 668,291 | (3,907,405) | 701,348 |
| Stock-based compensation | - | - | - | - | 9,872 | - | 9,872 |
| Net loss for the year | - | - | - | - | - | (608,083) | (608,083) |
| Balance, at July 31, 2020 | 62,031,433 | 3,940,462 | 10,595,258 | - | 678,163 | (4,515,488) | 103,137 |

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

## GO METALS CORP.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

| For the years ended | July 31, 2020 $ | July 31, 2019 $ |
|---|---|---|
| Cash provided by (used in): | | |
| **Operating activities** | | |
| Net loss for the year | (608,083) | (834,215) |
| Adjustments for non-cash items | | |
| Gain on option agreement (Note 5) | - | (342,500) |
| Interest accrual on loan | 1,008 | - |
| Flow-through share premium recovery | (15,429) | (10,540) |
| Stock-based compensation (Note 6) | 9,872 | 170,909 |
| Write-off of mineral properties (Note 5) | - | 190,000 |
| Changes in non-cash operating working capital: | | |
| GST and other receivables | 10,437 | 2,919 |
| Due from related parties | (890) | - |
| Prepaid expenses | 17,058 | (22,373) |
| Accounts payable and accrued liabilities | 50,227 | (55,890) |
| Due to related parties | 67,806 | (70,222) |
| | (467,994) | (971,912) |
| **Investing activities** | | |
| Option payments made | - | (40,000) |
| Option payments received | - | 100,000 |
| | - | 60,000 |
| **Financing activities** | | |
| Proceeds from share issuances | - | 590,750 |
| Share issue costs | - | (40,000) |
| | - | 550,750 |
| Decrease in cash | (467,994) | (361,162) |
| Cash, beginning of year | 507,512 | 868,674 |
| Cash, end of year | 39,518 | 507,512 |
| **Supplemental information** | | |
| Shares Issued for property | - | 150,000 |
| Warrants issued for finders' fee | - | 8,708 |

## 1. Nature of Operations and Continuance of Business

Go Metals Corp. ("Go Metals" or the "Company") was incorporated on April 27, 2012 in Canada with limited liability under the legislation of the Province of British Columbia. The Company's common shares trade on the Canadian Securities Exchange ("CSE") under the symbol "GOCO" and its registered office is located at Suite 810 – 789 West Pender Street, Vancouver, BC, V6C 1H2, Canada. The Company changed its name to Go Metals Corp. on July 8, 2019.

The Company is an exploration stage company and is in the process of exploring its mineral properties in Canada and has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of amounts spent for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its property, and upon future profitable production or proceeds from disposition of the properties. The operations of the Company will require various licences and permits from various governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licences and permits that may be required to carry out exploration, development, and mining operations at its projects. Failure to comply with these conditions may render the licences liable to forfeiture.

These consolidated financial statements have been prepared on the 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. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at July 31, 2020, the Company has not generated any revenues from operations and has an accumulated deficit of $4,515,488 (2019 - $3,907,405). The Company expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities, the reported expenses, and the statement of financial position classifications used that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus ("COVID-19"). The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2021.

## 2. Basis of Presentation

(a) 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").

(b) Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements. These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiary.

(d) Basis of Consolidation

These consolidated financial statements include the financial information of the Company and its wholly-owned subsidiary, Shiraz Petroleum Corporation (formerly Hella Resources Corp.) from the date of incorporation on November 17, 2014. Shiraz Petroleum Corporation is a dormant/inactive company. Any intercompany balances are eliminated upon consolidation.

## 3. Significant Accounting Policies

(a) Mineral Properties

*Recognition and Measurement*

The Company charges to operations all exploration and evaluation expenses incurred prior to the determination of economically recoverable reserves. These costs would also include periodic fees such as license and maintenance fees and advance royalty payments.

The Company capitalizes direct mineral property acquisition costs and those expenditures incurred following the determination that the property has economically recoverable reserves. Mineral property acquisition costs include cash consideration and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement. These costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned, or when impairment in value has been determined to have occurred. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

## 3. Significant Accounting Policies (continued)

(a) Mineral Properties (continued)

The Company may occasionally enter into option-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would otherwise be undertaken by the Company.

The Company does not record any expenditures made by the optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for in profit or loss.

(b) Impairment of Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets at each reporting period. An impairment loss is recognized when estimated future cash flows resulting from the use of an asset and its eventual disposition is less than its carrying amount.

A mining enterprise is required to consider the conditions for impairment write-down. The conditions include significant unfavourable economic, legal, regulatory, environmental, political and other factors. In addition, management's development activities towards its planned principal operations are a key factor considered as part of the ongoing assessment of the recoverability of the carrying amount of mineral properties. Whenever events or changes in circumstances indicate that the carrying amount of a mineral property in the exploration stage may be impaired, the capitalized costs are written down to the estimated recoverable amount valued at higher of value in use (present value of the estimated future cash flows) and proceeds from disposition, net of selling costs.

(c) 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 balance sheet 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. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

## 3. Significant Accounting Policies (continued)

(d) Income Taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively. 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. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

(e) Financial Instruments

*Classification*

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or Other Comprehensive Income (“OCI”). For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

## 3. Significant Accounting Policies (continued)

(e) Financial Instruments

*Recognition and derecognition*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

*Measurement*

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in income. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

*Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises of liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Amortized cost: This category included accounts payable and accrued liabilities, lease liability and convertible debentures, which are recognized at amortized cost using the effective interest method.

*Impairment*

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

## 3. Significant Accounting Policies (continued)

(f) Loss Per Share

Basic earnings or loss per share is computed by dividing the earnings or loss for the period by the weighted average number of common shares outstanding during the relevant period. The treasury stock method is used for the calculation of diluted earnings or loss per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. When a loss has been incurred, basic and diluted loss per share is the same because the exercise of options and warrants would be anti-dilutive.

(g) Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value of assets or services received. If this value cannot be determined, the transactions is measured at the fair market value of the shares on the date the shares are issued. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

(h) Stock-based Compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees the transaction is measured at fair value of the goods or services received. If the value of goods or services received cannot be accurately determined, the transaction is measured at the fair value of the stock-based compensation.

**3. Significant Accounting Policies (continued)**

(i) Flow-through Placements

The issuance of flow-through shares is accounted for similarly to the issuance of a compound financial instrument. The liability component represents the premium paid for the tax benefit to the investors. Proceeds from the issuance of shares by flow-through private placements are allocated between shares issued and a liability account using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to the liability. Upon expenses being incurred, the liability component is derecognized in the statement of loss and a deferred income tax liability is recognized for the taxable temporary difference created at the Company's applicable tax rate which is expected to apply in the year the deferred income tax liability will be settled. Any difference between the amount of the liability component derecognized and deferred income tax liability recognized is recorded in the statement of loss.

The Company may also be subject to Part XII.6 tax on flow-through proceeds renounced under the Look-Back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

(j) Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

*Critical Accounting Estimates*

The following are the key estimates that may have a significant risk of resulting in a material adjustment in future periods.

Fair value estimates of equity instruments
The fair value of each stock option granted is estimated at the grant date using the Black-Scholes option pricing model. The estimated life of the stock options and conversion at grant date is based on the expected life of the options and assumptions about the expected exercise pattern. Expected volatility of stock options is estimated based on the volatility of companies comparable in size and operations to the Company.

Recoverable value of asset carrying values
The carrying value of mineral properties and the likelihood of future economic recoverability is subject to significant management estimates and judgments. The application of the Company's accounting policy for and determination of recoverability of capitalized assets is based on assumptions about future events or circumstances. New information may change estimates and assumptions made. If information becomes available indicating that recovery of expenditures is unlikely, the amounts capitalized are impaired and recognized as a loss in the period that the new information becomes available. A change in estimate could result in the carrying amount of capitalized assets being materially different from their presented carrying costs.

## 3. Significant Accounting Policies (continued)

(j) Critical Accounting Judgments and Estimates (continued)

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

*Critical Judgments Used in Applying Accounting Policies*
Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Economic recoverability and probability of future economic benefits of mineral properties
Management has determined that mineral property costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Determination of Going Concern Assumption
The preparation of these consolidated financial statements requires management to make judgments regarding the applicability of going concern assumption to the Company as discussed in Note 1.

Mining exploration tax credits and flow-through expenditures
The Company is eligible for refundable tax credits on qualified resource expenditures incurred in the province of British Columbia and Quebec (the “Provinces”). Uncertainties exist with respect to the interpretation of tax regulations which could be disallowed by the Province in the calculation of credits. The calculation of the Company’s refundable tax credits involves significant estimates and judgment on items whose tax treatment cannot be verified until a notice of assessment and subsequent payments have been received from the Provinces. Differences between management’s estimates and the final assessment could result in adjustments to the mining exploration tax credit and the future income tax expense. The Company is also required to spend proceeds received from the issuance of flow-through shares on qualifying resources expenditures.

Differences in judgment between management and regulatory authorities with respect to qualified expenditures may result in disallowed expenditures by the tax authorities. Any amount disallowed may result in the Company’s required expenditures not being fulfilled.

(Expressed in Canadian dollars)

## 3. Significant Accounting Policies (continued)

(j) Critical Accounting Judgments and Estimates (continued)

Impairment of mineral properties
Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral properties.

In respect of costs incurred for its mineral properties, management has determined that related acquisition costs incurred, which have been capitalized, continue to be appropriately recorded on the consolidated statements of financial position at its carrying value as management has determined there are no indicators of impairment for its mineral properties as at July 31, 2020 and 2019.

(k) Comparative Figures

Certain comparative figures have been reclassified to conform to the financial presentation in the current period.

## 4. Plan of Arrangement

Pursuant to an agreement dated July 16, 2018, shareholders of the Company approved an arrangement agreement (the "Arrangement") whereby the Company would transfer its New Brenda property to Flow Metals Corp. ("Flow Metals") in exchange for 9,767,234 common shares of Flow Metals based on one Flow Metals common share being issued for every six issued and outstanding common shares of the Company. As a step in the Arrangement, the Company distributed the Flow Metals common shares to its registered shareholders by way of a return of paid-up capital. On September 10, 2018, the B.C. Supreme Court approved the Arrangement effective for September 17, 2018. On September 17, 2018, Flow Metals issued 9,767,234 common shares to shareholders of the Company and the New Brenda property of $326,000 was transferred to Flow Metals under the terms of the Arrangement.

## 5. Mineral Properties

The Company's mineral property interests are comprised of the following properties:

| | New Brenda | Monster | Barachois Vanadium | Total |
|---|---|---|---|---|
| Balance, at July 31, 2018 | $ 326,000 | $ 237,000 | $ - | $ 563,000 |
| Additions | - | - | 190,000 | 190,000 |
| Plan of Arrangement (Note 4) | (326,000) | - | - | (326,000) |
| Write-off | - | - | (190,000) | (190,000) |
| Balance, at July 31, 2019 | - | 237,000 | - | 237,000 |
| Additions | - | - | - | - |
| **Balance, at July 31, 2020** | $ - | $ 237,000 | $ - | $ 237,000 |

(Expressed in Canadian dollars)

## 5. Mineral Properties (continued)

During the year ended July 31, 2020, the Company incurred exploration expenditures as follows:

| Exploration and related expenditures | Quebec property | Monster | Other | Total |
|---|---|---|---|---|
| Assays | $ 5,130 | $ 4,497 | $ - | $ 9,627 |
| Equipment rental | 2,400 | - | - | 2,400 |
| Geological | 153,311 | 130,702 | - | 284,013 |
| Geophysical survey | 16,975 | 49,320 | - | 66,295 |
| Transportation / travel | 4,819 | 27,014 | 53 | 31,886 |
| Recovery of expenses | - | (40,000) | - | (40,000) |
| **Total mineral property expenditures** | $ 182,635 | $ 171,533 | $ 53 | $ 354,221 |

During the year ended July 31, 2019, the Company incurred exploration expenditures as follows:

| Exploration and related expenditures | New Brenda | Monster | Nickel Palladium Platinum | Other | Total |
|---|---|---|---|---|---|
| Assays | $ - | $ 3,760 | $ - | $ - | $ 3,760 |
| Claim staking/maintenance | - | 2,610 | 740 | 13,090 | 16,440 |
| General administration | - | - | - | 1,049 | 1,049 |
| Geological | 9,524 | 155,612 | - | 10,483 | 175,619 |
| Geophysical survey | - | 50,830 | 6,029 | - | 56,859 |
| Land administration | - | - | - | 1,107 | 1,107 |
| Transportation / travel | 1,900 | 93,063 | - | 4,065 | 99,028 |
| Recovery of expenses | - | (40,000) | - | - | (40,000) |
| **Total mineral property expenditures** | $ 11,424 | $ 265,875 | $ 6,769 | $ 29,794 | $ 313,862 |

*Wels Property, Yukon Territory, Canada*

Pursuant to an option agreement dated June 6, 2011, the Company was granted an option to acquire a 100% interest in the Wels property located in Whitehorse, Yukon Territory, Canada. The property consists of 136 unpatented mining claims and is subject to a 3% Net Smelter Returns ("NSR") in favour of the optionor. The Company has the right to buy back the NSR for a cash payment of $750,000 for each 1%, to a maximum of $1,500,000, at any time. To maintain and exercise the option, the Company must:

- Make cash payments of $15,900 upon signing (paid);
- Make cash payments of $15,450 upon the completion of a National Instrument 43-101 technical report (paid);
- Issue 30,000 common shares on the sixth month anniversary (issued);
- Make cash payments of $25,000 and issue 20,000 common shares on or before September 30, 2012 (subsequently extended to make a cash payment of $10,000 by October 31, 2012 and $15,000 by January 31, 2013) (paid and issued);
- Make payments of $40,000 on or before September 30, 2013, payable in cash, common shares, or a combination of cash and common shares (subsequently amended to payment of $20,000 in cash on or before February 28, 2014 pursuant to a payment extension agreement dated November 19, 2013) (paid);

## 5. Mineral Properties (continued)

- Issue 20,000 common shares on or before 14 days from the date of a payment extension agreement dated November 19, 2013 pursuant to a payment extension agreement dated November 19, 2013 (issued); and
- Make payments of $80,000 on or before September 30, 2014, payable in cash, common shares, or a combination of cash and common shares (amended to payment of $40,000 in cash on October 16, 2014 and $40,000 issued in shares on October 24, 2014) (paid and issued).

On November 12, 2013, the Company granted to Enfield Resources an option to acquire a 100% undivided right, title and interest in certain mineral claims of the Wels property ("Wels Nickel Project"). The Company was entitled to receive a royalty interest equal to 5% of NSR. Enfield Resources was entitled to redeem the entitlement of the Company to its share of NSR by paying $1,500,000 to the Company for each 1% so redeemed, to a maximum of $7,500,000. In order to the option and to earn the interests in the Wels Nickel Project, Enfield was to make the following payments in cash to the Company:

- $10,000 on or before November 12, 2013 (received);
- $15,000 within 5 days of CSE Listing (received);
- $2,500 on or before May 1, 2014 (received);
- $80,000 on or before September 30, 2014 (Enfield defaulted on payment. The option agreement was terminated on October 30, 2014); and
- $80,000 on or before September 30, 2015.

On January 7, 2014, the Company entered into an Option and Joint Venture Agreement with First Ferro whereby the Company granted First Ferro an option to acquire a 40% undivided beneficial interest in certain mineral claims of the Wels property ("Wels Gold Project") by making the following payments:

- $7,500 on execution of the Arrangement Agreement (received);
- $10,500 within 5 days of the CSE Listing (received);
- $100,000 on or before June 30, 2014 (First Ferro defaulted on payment; Option Agreement was terminated on August 31, 2014);
- $100,000 on or before December 31, 2014;
- $100,000 on or before June 30, 2015; and
- $100,000 on or before December 31, 2015.

On August 11, 2016, the Company entered into an Option to Joint Venture Agreement (the "Option Agreement") with West Melville Metals Inc. ("WMM", later changed its name to K2 Gold Corporation ("K2")). Pursuant to the Option Agreement, the Company agreed to grant to K2 the sole and exclusive right and option to acquire an undivided 90% interest in the Wels property and other assets, as defined in the Option Agreement, subject to 3% NSR royalty on the minerals produced from the property, and upon the exercise of such option, the parties have agreed to form a joint venture (the "Option").

## 5. Mineral Properties (continued)

*Wels Property, Yukon Territory, Canada (continued)*

In order to exercise the Option, WMM must:

(a) pay to the Company:

- (i) $50,000, within five Business Days after the date of TSX Venture Exchange ("TSX-V")'s acceptance of the Option Agreement (received);
- (ii) an additional $100,000 on or before the date that is 30 days after the date of the Option Agreement (received);
- (iii) an additional $100,000 on or before the date that is 12 months after the date of the Option Agreement (received);
- (iv) an additional $50,000 on or before the date that is 24 months after the date of the Option Agreement (received); and
- (v) an additional $50,000 on or before the date that is 27 months after the date of the Option Agreement (received)

for total cash payments in aggregate of $350,000;

(b) issue and deliver to the Company:

- (i) 500,000 K2 shares within five Business Days after the date of TSX-V's acceptance of the Option Agreement (received, valued at $150,000);
- (ii) an additional 500,000 K2 shares on or before the date that is 6 months after the date of the Option Agreement (received, valued at $260,000);
- (iii) an additional 500,000 K2 shares on or before the date that is 12 months after the date of the Option Agreement (received, valued at $205,000);
- (iv) an additional 500,000 K2 shares on or before the date that is 18 months after the date of the Option Agreement (received, valued at $122,500);
- (v) an additional 500,000 K2 shares on or before the date that is 24 months after the date of the Option Agreement (received, valued at $115,000); and
- (vi) an additional 500,000 K2 shares on or before the date that is 30 months after the date of the Option Agreement (received, valued at $127,500)

for a total issuance in aggregate of 3,000,000 K2 shares. The Company is to distribute its K2 shares to the Company's shareholders as soon as is reasonably practicable following the receipt of any such shares from K2 (Note 6). As of July 31, 2019, all K2 shares have been distributed to the Company's shareholders.

*New Brenda Property, British Columbia, Canada*

On August 14, 2017, the Company acquired the New Brenda Property with a cash payment of $65,000 (paid) and 5,220,000 common shares of the Company valued at $261,000 (issued). The New Brenda Property is comprised of 15 contiguous mineral claims located in South Central British Columbia in the traditional territory of the West Bank First Nation.

On September 17, 2018, the Company and Flow Metals Corp. ("Flow Metals") closed a statutory plan of arrangement to spin-out the Company's New Brenda Property to Flow Metals (Note 4).

## 5. Mineral Properties (continued)

*Monster Property, Yukon Territory, Canada*

During the year ended July 31, 2018, the Company acquired a 100% interest in a cobalt property located in the Yukon (the “Monster Property”). For consideration, the Company is required to make a cash payment of $45,000 (paid) and issue 1,600,000 common shares valued at $192,000 (issued).

*Barachois Vanadium Property, Quebec, Canada*

On November 2, 2018, the Company signed an option agreement with Contigo Resources Ltd. (“Contigo”) to acquire a 100% interest in the Barachois Vanadium Property located in Gaspe Peninsula, Quebec. For consideration, the Company is required to make cash payment of $40,000 (paid), issue 500,000 common shares of the Company within 10 days of the closing date (issued, valued at $150,000) and issue 500,000 common shares of the Company on or before 12 months from the closing date. Upon completion of these payments, the Company will earn a 100% interest in the property subject to a 2% NSR royalty retained by Contigo. At any time, the Company shall have the option to acquire one-half of the 2% NSR by paying $1,500,000 to Contigo. During the year ended July 31, 2019, the Company recognized a write-off of $190,000 as a result of terminating the option agreement.

*Nickel Palladium Platinum Property, Quebec, Canada*

In February 2019, the Company acquired a 40 claim 2000 Ha nickel-copper-platinum group elements project located north of Havre-Saint-Pierre in Quebec, Canada.

## 6. Share Capital

(a) Authorized

Unlimited number of common shares without par value.

Unlimited number of Class A Preferred Shares with a par value of $0.001.

(b) Outstanding

On July 31, 2020 the Company had 62,031,433 (2019 – 62,013,433) common shares outstanding at $3,940,462 (2019 - $3,940,462) and 10,595,258 (2019 – 10,595,258) class A preferred shares outstanding at $Nil (2019 - $Nil).

## 6. Share Capital (continued)

(c) i) Share transactions for the year ended July 31, 2020

The Company did not issue any shares during the year ended July 31, 2020.

ii) Share transactions for the year ended July 31, 2019:

On December 20, 2018, the Company closed a non-brokered flow-through financing of 1,111,111 units ("National Units") issued at a price of $0.27 per National Unit for gross proceeds of $300,000. Each National Unit consisted of one flow-through common share and one non-flow-through share purchase warrant. Every two warrants entitles the holder thereof to purchase one common share of the Company at a price of $0.40 per common share until December 20, 2020. In addition, the Company closed a non-brokered flow-through financing of 666,666 units ("Quebec Units") issued at a price of $0.30 per Quebec Unit for gross proceeds of $200,000. Each Quebec Unit consisted of one flow-through common share and one non-flow-through share purchase warrant. Every two warrants entitles the holder thereof to purchase one common share of the Company at a price of $0.40 per common share until December 20, 2020. The fair value of the warrants was $98,613 calculated using the Black-Scholes Pricing Model using the following assumptions: expected life – 2 years; expected volatility – 131%; expected dividend yield – 0%; and risk-free rate – 1.90%. The Company paid finders' fees of $40,000 in cash and issued 142,222 finders' warrants. Every two finders' warrants entitles the holder thereof to purchase one common share of the Company at a price of $0.30 per common share until December 20, 2020. The fair value of the finders' warrants was $8,708 calculated using the Black-Scholes Pricing Model using the following assumptions: expected life – 2 years; expected volatility – 131%; expected dividend yield – 0%; and risk-free rate – 1.90%. The flow-through liability associated with these issuances using the residual method was $28,054. The Company recognized flow-through premium liability of $10,540 and $15,429 on incurred expenditures as deferred income tax recovery during the year ended July 31, 2019 and 2020, respectively.

On November 12, 2018, the Company issued 500,000 common shares of the Company fair valued at $150,000 related to the acquisition of the Barachois Vanadium Property.

On November 6, 2018, the Company issued 250,000 common shares for proceeds of $18,750 as a result of the exercise of 250,000 warrants with an exercise price of $0.075.

In November 2018, the Company issued 300,000 common shares for proceeds of $27,000 as a result of the exercise of 300,000 stock options with an exercise price of $0.09.

In October 2018, the Company issued 600,000 common shares for proceeds of $45,000 related to the exercise of 600,000 warrants with an exercise price of $0.075.

(Expressed in Canadian dollars)

## 6. Share Capital (continued)

(d) Warrants

| | **Year ended July 31, 2020** | | | Year ended July 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Number of Warrants | | Weighted Average Exercise Price | Number of Warrants | | Weighted Average Exercise Price |
| Opening | **20,069,999** | **$** | **0.135** | 19,960,000 | $ | 0.120 |
| Issued | **-** | | **-** | 959,999 | | 0.393 |
| Exercised | **-** | | **-** | (850,000) | | 0.075 |
| Ending | **20,069,999** | **$** | **0.135** | 20,069,999 | $ | 0.135 |

Weighted average remaining life of outstanding warrants as at July 31, 2020 is 1.29 years (2019 – 2.29 years).

As at July 31, 2020, the Company had the following warrants outstanding:

| Number of warrants | Exercise price | Expiry date |
|---|---|---|
| 5,710,000* | $0.075 | July 28, 2021 |
| 1,400,000* | $0.075 | July 28, 2021 |
| 12,000,000** | $0.150 | February 11, 2022 |
| 888,888 | $0.400 | December 20, 2020 |
| 71,111 | $0.300 | December 20, 2020 |

* During the year ended July 31, 2019, the Company extended the expiry date of 5,710,000 warrants due on July 28, 2019 and 1,400,000 warrants due on December 22, 2019 to July 28, 2021.

** During the year ended July 31, 2020, the Company extended the expiry date of 12,000,000 warrants due on February 11, 2020 to February 11, 2022.

(e) Stock Options

The Company grants stock options to directors, officers, employees and consultants and affiliate or any person deemed suitable by the board of directors, pursuant to its Incentive Share Option Plan (the "Plan"). The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. Options issued under the Plan vest immediately and must have a term equal to or less than 5 years and exercise price equal to or greater than market price on grant date.

(Expressed in Canadian dollars)

## 6. Share Capital (continued)

(e) Stock Options (continued)

The Company's stock options outstanding and exercisable are as follows:

| | **Year ended July 31, 2020** | | | Year ended July 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | | Number of Options | Weighted Average Exercise Price | |
| Opening | **4,100,000** | **$** | **0.12** | 3,400,000 | $ | 0.09 |
| Granted | **250,000** | | **0.085** | 1,000,000 | | 0.20 |
| Exercised | **-** | | **-** | (300,000) | | 0.09 |
| Ending | **4,350,000** | **$** | **0.12** | 4,100,000 | $ | 0.12 |
| Exercisable | **4,350,000** | **$** | **0.12** | 4,100,000 | $ | 0.12 |

Weighted average remaining life of outstanding options as at July 31, 2020 is 2.80 years (2019 – 3.72 years).

As at July 31, 2020, the Company had the following stock options outstanding:

| Number of stock options | Exercise price | Expiry date |
|---|---|---|
| 3,100,000 | $0.09 | January 23, 2023 |
| 1,000,000 | $0.20 | January 9, 2024 |
| 250,000 | $0.085 | October 28, 2024 |

The stock options granted during the year ended July 31, 2020 were fair valued at $9,872 using the Black-Scholes Option Pricing Model, using the following assumptions:

| Grant date | Expected life | Volatility | Dividend yield | Risk-free interest rate |
|---|---|---|---|---|
| October 28, 2019 | 5 years | 96% | 0% | 1.56% |

The stock options granted during the year ended July 31, 2019 were valued at $170,909 using the Black-Scholes Option Pricing Model, using the following assumptions:

| Grant date | Expected life | Volatility | Dividend yield | Risk-free interest rate |
|---|---|---|---|---|
| January 10, 2019 | 5 years | 131% | 0% | 1.91% |

The expected volatility assumption is based on the volatility of companies comparable in size and operations to the Company. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its share capital.

(Expressed in Canadian dollars)

### 7. Related Party Transactions

During the year ended July 31, 2020, the Company incurred $96,000 (2019 - $93,632) in management fees from a company owned by the President of the Company and $Nil (2019 - $15,168) in consulting fees included in exploration expenses from a company owned by a Director of the Company, $6,383 (2019 - $10,513) in legal fees from a company owned by the Corporate Secretary of the Company and $Nil (2019 - $85,455) in stock-based compensation for stock options granted to officers and directors of the Company.

At July 31, 2020, the Company owed $68,117 (2019 - $311) to the President, directors and their companies and had $36,131 (2019 - $35,123) of loans payable to directors and their companies. The loan bears 5% interest and is composed of principal of $20,100 (2019 - $20,100) and various current and arrear interest components totaling $16,031 (2019 – $15,023).

At July 31, 2020, the Company had a receivable of $11,298 (2019: $10,408) from Flow Metals, a company with certain management and directors in common. This amount is non-interest bearing, unsecured and repayable on demand.

### 8. Financial Instruments

(a) Classification of Financial Instruments

The Company has classified its financial instruments as follows:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Financial assets, measured at amortized cost: | | |
| Cash | 39,518 | 507,512 |
| Due from related parties | 11,298 | 10,408 |
| | 50,816 | 517,920 |
| Financial liabilities, measured at amortized cost: | | |
| Accounts payable and accrued liabilities | 86,660 | 36,433 |
| Due to related parties | 68,117 | 311 |
| Loan payable | 36,131 | 35,123 |
| | 190,908 | 71,867 |

(b) Fair Values

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

## 8. Financial Instruments (continued)

(b) Fair Values (continued)

As at July 31, 2020, the fair values of accounts payable and accrued liabilities, due to/from related parties and loan payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at July 31, 2020, the Company does not have sufficient cash to settle current financial liabilities of $192,993. All of the Company's liabilities are due within 90 days of July 31, 2020.

(d) Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company is not exposed to any significant credit risk.

With respect to its due from related parties, the Company assesses the credit rating of all debtors and maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. The Company's credit risk with respect to amounts due from related parties and maximum exposure thereto as at July 31, 2020 is $11,298 (2019 - $10,408).

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

(f) Interest Rate Risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates other than loans payable which bears 5% interest (Note 7). The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

(g) Foreign currency exchange rate risk

The Company currently has no significant operations denominated in foreign currencies. Management believes there is no significant foreign currency exchange rate risk.

(Expressed in Canadian dollars)

## 9. Capital Management

The Company defines its capital as cash and equity comprised of issued share capital and deficit. 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 and 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. The properties in which the Company currently has an interest are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds. The Company will continue to assess new properties and seek to acquire an interest in additional properties 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 has been no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements as at July 31, 2020 except when the Company issues flow-through shares for which the amount should be used for exploration work. On December 20, 2018, the Company completed flow-through private placements totalling $500,000. As at July 31, 2020, the Company incurred $481,884 in eligible exploration and evaluation expenditures and consequently the Company has the obligation to incur a remaining balance of $18,116 in exploration and evaluation expenditures no later than December 31, 2020.

## 10. Segmented Information

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada. As the operations comprise a single reporting segment, amounts disclosed also represent segment amounts.

## 11. Income Taxes

The income taxes shown in the statements of loss and comprehensive loss differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

| | | 2020 | 2019 |
|---|---|---|---|
| Statutory tax rate | | 27.00% | 27.00% |
| Loss before income taxes | $ | (608,083) | $ (844,755) |
| Expected income tax (recovery) | | (164,182) | (228,084) |
| Increase (decrease) in income tax recovery resulting from: | | | |
| Items deductible and not deductible for income tax purposes | | (1,500) | 17,079 |
| Origination and reversal of temporary differences | | 68,587 | - |
| Unused tax losses and tax offsets not recognized | | 97,095 | - |
| Current and prior tax attributes not recognized | | - | 211,005 |
| Deferred income tax recovery | $ | - | $ - |

(Expressed in Canadian dollars)

### 11. Income Taxes (continued)

Details of deferred tax assets are as follows:

| | 2020 | 2019 |
|---|---|---|
| Non-capital losses | $ 621,804 | $ 541,355 |
| Resource expenditures | 216,055 | 189,003 |
| Share Issuance costs and others | 23,443 | 33,849 |
| | 861,302 | 764,207 |
| Less: Unrecognized deferred tax assets | (861,302) | (764,207) |
| | $ - | $ - |

The Company has approximately $2,300,000 of non-capital losses available, which begin to expire in 2032 through to 2040 and may be applied against future taxable income. The Company also has approximately $800,000 of exploration and development costs which are available for deduction against future income for tax purposes. At July 31, 2020, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

### 12. Subsequent Events

On August 13, 2020, the Company completed a non-brokered private placement consisting of 15,635,000 units at $0.05 per unit for gross proceeds of $781,750. Each unit consists of one share and one transferable share purchase warrant with one whole share purchase warrant exercisable at a price of $0.07 per share for a period of 36 months from the date of issuance.

In connection with the private placement, the Company paid a finder's fee of $53,883 cash and issued 1,077,650 finder's warrants with the same terms and conditions as the financing.

On August 17, 2020 the Company issued 350,000 Options, in terms of the Company's Stock Option plan, to a consultant exercisable at $0.05 for three years.

On November 23, 2020 the Company completed a non-brokered private placement consisting of 1,176,471 flow-through shares at $0.085 per share for gross proceeds of $100,000. On November 23, 2020 the Company also completed a non-brokered private placement consisting of 6,111,111 Quebec flow-through shares at $0.09 per share for gross proceeds of $550,000. The Company incurred cash finder's fees of $37,000 in connection with these private placements.