

Waraba Gold Limited
(formerly Zenith Exploration Inc.)
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended July 31, 2020 and 2019
(Expressed in Canadian Dollars)

UNIT# 168
4300 NORTH FRASER WAY
BURNABY, BC, V5J 5J8

T: 604.318.5465
F: 778.375.4567

Adam Kim

**ADAM SUNG KIM LTD.
CHARTERED PROFESSIONAL ACCOUNTANT**

INDEPENDENT AUDITOR'S REPORT

To: The Shareholders of
Waraba Gold Limited (formerly Zenith Exploration Inc.)

Opinion

I have audited the consolidated financial statements of Waraba Gold Limited (formerly Zenith Exploration Inc.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2020 and July 31, 2019, 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 financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

I draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$105,937 during the year ended July 31, 2020 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of \$707,361 since its inception, and expects to incur further losses in the development of its business. 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. My opinion is not modified in respect of this matter.

Other Information

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

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

In connection with my audit of the consolidated financial statements, my 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 my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I 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 IFRSs, 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.

Auditor's Responsibilities for the Audit of the consolidated financial statements

My 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Adam Kim, CPA, CA.

"Adam Sung Kim Ltd."
Chartered Professional Accountant

Unit# 168 – 4300 North Fraser Way
Burnaby, BC, Canada V5J 5J8
November 27, 2020

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	July 31, 2020	July 31, 2019
ASSETS			
Current assets			
Cash		\$ 106,789	\$ 117,711
Receivables	6	35,133	25,259
Tax credit receivable	3	50,972	-
Prepaid expenses and advances		-	6,156
		192,894	149,126
Exploration and evaluation assets	3	347,657	485,091
TOTAL ASSETS		\$ 540,551	\$ 634,217
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 13,120	\$ 15,843
TOTAL LIABILITIES		13,120	15,843
SHAREHOLDERS' EQUITY			
Share capital	5	1,162,891	1,147,897
Contributed surplus	5	71,901	71,901
Deficit		(707,361)	(601,424)
TOTAL SHAREHOLDERS' EQUITY		527,431	618,374
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 540,551	\$ 634,217

Nature and continuance of operations (Note 1)

Subsequent events (Note 10)

Approved by the Board of Directors and authorized for issue on November 27, 2020:

"Brent Hahn"

Brent Hahn, Director

"Carl Esprey"

Carl Esprey, Director

See accompanying notes to the consolidated financial statements.

Waraba Gold Limited (formerly Zenith Exploration Inc.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		2020	Years ended July 31, 2019
Expenses			
Consulting fees		\$ -	\$ 10,000
Management fees	6	102,125	220,000
Office and miscellaneous		108	495
Professional fees		32,576	78,101
Project generation		-	9,618
Regulatory fees		13,361	20,357
Share-based payments		-	138,655
Shareholder information		55	9,593
Transfer agent		3,829	5,856
		\$ (152,054)	\$ (492,675)
Other Items			
Gain on deconsolidation	2	5,100	-
Government tax credits	3	41,017	-
Property impairment	3	-	(32,732)
Loss and comprehensive loss for the year		\$ (105,937)	\$ (525,407)
Loss per share – basic and diluted		\$ (0.00)	\$ (0.02)
Weighted average number of common shares outstanding		30,736,302	26,755,875

See accompanying notes to the consolidated financial statements.

Waraba Gold Limited (formerly Zenith Exploration Inc.)
Consolidated Statement of Changes in Shareholder's Equity
(Expressed in Canadian Dollars)

	Note	Share capital		Reserves	Deficit	Total
		Number of shares	Amount			
Balance at July 31, 2018		24,511,601	\$ 821,577	\$ -	\$ (76,017)	\$ 745,560
Private placement	5	1,121,500	112,150	-	-	112,150
Issuance of common shares for property	3,5	600,000	21,000	-	-	21,000
Exercise of stock options	5	2,563,310	128,166	-	-	128,166
Reallocation of fair value of stock options exercised		-	66,754	(66,754)	-	-
Share-based payments	5	-	-	138,655	-	138,655
Share issuance costs		-	(1,750)	-	-	(1,750)
Loss for the year		-	-	-	(525,407)	(525,407)
Balance at July 31, 2019		28,796,411	\$ 1,147,897	\$ 71,901	\$ (601,424)	\$ 618,374
Private placement	5	10,000,000	200,000	-	-	200,000
Share issuance costs	5	-	(4,261)	-	-	(4,261)
Distribution of properties pursuant to Plan of Arrangement	3	-	(180,745)	-	-	(180,745)
Loss for the year		-	-	-	(105,937)	(105,937)
Balance at July 31, 2020		38,796,411	\$ 1,162,891	\$ 71,901	\$ (707,361)	\$ 527,431

See accompanying notes to the consolidated financial statements.

Waraba Gold Limited (formerly Zenith Exploration Inc.)
Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Years ended July 31,	
	2020	2019
Operating activities		
Net loss for the year	\$ (105,937)	\$ (525,407)
Item not involving cash:		
Issuance of common shares for services	-	210,000
Share-based payments	-	138,655
Property impairment	-	32,732
Changes in non-cash working capital items:		
Receivables	(9,874)	(14,830)
Tax credit receivable	(41,017)	-
Prepaid expenses and advances	2,663	(6,156)
Accounts payable and accrued liabilities	(2,723)	(9,717)
Net cash flows used in operating activities	(156,888)	(174,723)
Investing activities		
Exploration and evaluation assets	(49,773)	(163,252)
Net cash flows used in investing activities	(49,773)	(163,252)
Financing activities		
Proceeds on issuance of common shares, net	195,739	18,900
Loans from related parties	-	(12,198)
Net cash flows from financing activities	195,739	6,702
Change in cash	(10,922)	(331,273)
Cash, beginning	117,711	448,984
Cash, ending	\$ 106,789	\$ 117,711
Non-cash activities:		
Shares issued for mineral properties	\$ -	\$ 21,000

Supplemental disclosure of cash flow information:

Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

See accompanying notes to the consolidated financial statements.

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

1. Nature and continuance of operations

Waraba Gold Limited (formerly Zenith Exploration Inc.) (the “Company”) was incorporated on June 19, 2015, under the laws of the Province of British Columbia, Canada. On October 23, 2020, the Company changed its name to Waraba Gold Limited. The Company is a resource exploration company that is acquiring and exploring mineral properties.

The head office, principal address, records office and registered address of the Company are located at 1080 - 789 West Pender Street, Vancouver BC. The Company trades on the Canadian Securities Exchange (the “Exchange”) under the trading symbol “WBGD”.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. At July 31, 2020, the Company had not yet achieved profitable operations, had accumulated losses of \$707,361 (July 31, 2019 - \$601,424) since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company’s continuation as a going concern is dependent upon the successful results from its business activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors.

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 future periods.

2. Significant accounting policies and basis of preparation

Statement of compliance with International Financial Reporting Standards

These consolidated financial statements, including comparatives have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Reporting Interpretations Committee.

Basis of preparation

These consolidated financial statements of the Company have been prepared on a historical cost basis except for certain financial assets measured at fair value. These consolidated financial statements are presented in Canadian dollars unless otherwise specified.

The consolidated financial statements for the year ended July 31, 2020, include the financial statements of the Company and its former wholly owned subsidiaries, High Point Exploration Inc. (“High Point”) and Top Exploration Inc. (“Top Exploration”) until September 20, 2019, which is the date of the Plan of Arrangement (the “Arrangement”).

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

2. Significant accounting policies and basis of preparation (cont'd)

Basis of preparation (cont'd)

Pursuant to the Arrangement, the Company transferred the Mantle Property to High Point and the Golden Girl Property to Top Exploration and spun out both High Point and Top Exploration. The Arrangement resulted in the shareholders of the Company receiving one common share in High Point and one common share in Top Exploration with respect to every five common shares of the Company. As a result, the Company recorded a gain on deconsolidation of its subsidiaries in the amount of \$5,100.

The consolidated financial statements for the year ended July 31, 2019 include the financial statements of the Company and its former wholly owned subsidiaries, High Point and Top Exploration.

All inter-company balances and transactions were eliminated upon consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- i) **Going concern**
Management has determined that the Company will be able to continue as a going concern for the next year.
- ii) **Economic recoverability and probability of future benefits of exploration and evaluation costs**
Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Foreign currency translation

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. These consolidated financial statements are presented in Canadian dollars which is the company's functional and presentation currency.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

2. Significant accounting policies and basis of preparation (cont'd)

Foreign currency translation (cont'd)

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of loss and comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Exploration and evaluation assets

Exploration and evaluation expenditures relating to mineral properties include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

2. Significant accounting policies and basis of preparation (cont'd)***Loss per share***

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Financial instruments***(i) Classification***

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

Asset/Liability	
Financial Assets	
Cash	FVTPL
Receivables	Amortized cost
Financial Liabilities	
Accounts payable and accrued liabilities	Amortized cost

(ii) Measurement**Financial assets and liabilities at amortized cost**

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments (cont'd)

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

2. Significant accounting policies and basis of preparation (cont'd)

Impairment of assets

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

2. Significant accounting policies and basis of preparation (cont'd)***Income taxes (cont'd)***Deferred income tax (cont'd):

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Leases

On July 1, 2019, the Company adopted IFRS 16. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The adoption of IFRS 16 had no impact on the Company's consolidated financial statements as the Company has no leases.

Accounting standards issued but not yet applied

Other accounting pronouncements with future effective dates are either not applicable or are not expected to have a material impact on the Company's financial statements.

3. Exploration and evaluation assets**Scotch Creek Property**

On November 14, 2017, the Company entered into a definitive agreement to purchase eight (8) mineral claims covering 1,384.12 hectares comprising the Scotch Creek Property in the Kamloops Mining Division of British Columbia. In connection with the Scotch Creek Property agreement, the Company and vendors have also executed a royalty deed agreement pursuant to the terms and consideration of which the vendors shall receive a net smelter return royalty of 2% from the Company. Two directors of the Company are vendors of the property.

In consideration for a 100% undivided interest in the property, the Company issued 15,000,000 common shares for total consideration of \$300,000.

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. Exploration and evaluation assets (cont'd)**Golden Girl Property**

On November 15, 2018, the Company entered into a purchase agreement to acquire a 100% interest in a certain mineral property (the "Golden Girl Property") located in B.C. for the following consideration:

- \$1,000 cash upon the signing of the agreement (paid);
- \$11,000 as a retainer for maintaining exploration for the benefit of the Mantle Property in the years 2018 and 2019, upon the signing of the agreement (paid); and
- 200,000 common shares of the Company to be issued on November 15, 2018 (issued).
- Vendor shall receive a 1% net smelter return royalty.

Pursuant to the Arrangement, the Company transferred the Golden Girl Property to Top Exploration, a former subsidiary of the Company. As of the transaction date, the Company incurred total exploration and evaluation costs on the Golden Girl Property of \$88,682 (July 31, 2019 - \$87,086) (Note 5).

Mantle Property

On November 15, 2018, the Company entered into a purchase agreement to acquire a 100% interest in a certain mineral property (the "Mantle Property") located in B.C. for the following consideration:

- \$1,000 cash upon the signing of the agreement (paid);
- \$11,000 as a retainer for maintaining exploration for the benefit of the Mantle Property in the years 2018 and 2019, upon the signing of the agreement (paid); and
- 200,000 common shares of the Company to be issued on November 15, 2018 (issued).
- Vendor shall receive a 1% net smelter return royalty.

Pursuant to the Arrangement, the Company transferred the Mantle Property to High Point, a former subsidiary of the Company. As of the transaction date, the Company incurred total exploration and evaluation costs on the Mantle Property of \$92,063 (July 31, 2019 - \$90,166) (Note 5).

Lac Matchi Property

Effective April 5, 2019, the Company provided the Optionor with formal notice to terminate the Lac Matchi Option Agreement. As a result of the notice, the Company has written off the Lac Matchi property, recording an impairment of \$32,732 during the year ended July 31, 2019.

The following is a description of the Company's exploration and evaluation assets and the related expenditures incurred for the year ended July 31, 2020:

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

3. Exploration and evaluation assets (cont'd)

	Scotch Creek	Golden Girl	Mantle	Total
Property acquisition costs				
Balance, beginning of period	\$ 300,000	\$ 8,000	\$ 8,000	\$ 316,000
Transferred to former subsidiaries		(8,000)	(8,000)	(16,000)
Balance, end of year	300,000	-	-	300,000
Exploration and evaluation costs				
Balance, beginning	7,839	79,086	82,166	169,091
Costs incurred during the period:				
Assessment report	49,773	-	-	49,773
Management fees	-	1,596	1,897	3,493
Exploration tax credits	(9,955)	-	-	(9,955)
Transferred to former subsidiaries	-	(80,682)	(84,063)	(164,745)
Balance, end of year	47,657	-	-	47,657
Total, end of year	\$ 347,657	\$ -	\$ -	\$ 347,657

During the year ended, July 31, 2020, the Company recorded \$9,955 in BC Mineral Exploration Tax Credits ("BCMETS") as a reduction to the exploration and evaluation assets and \$41,017 as tax recovery in the statements of loss and comprehensive loss for a total tax credit receivable balance of \$50,972.

The following is a description of the Company's exploration and evaluation assets and the related expenditures incurred for the year ended July 31, 2019:

	Scotch Creek	Lac Matchi	Golden Girl	Mantle	Total
Property acquisition costs					
Balance, beginning of year	\$ 300,000	\$ 20,000	\$ -	\$ -	\$ 320,000
Additions	-	7,000	8,000	8,000	23,000
Balance, end of year	300,000	27,000	8,000	8,000	343,000
Exploration and evaluation costs					
Balance, beginning of year	7,839	5,732	-	-	13,571
Costs incurred during the period:					
Management fees	-	-	7,857	7,857	15,714
Technical reports	-	-	29,067	17,416	46,483
Surveying	-	-	375	1,412	1,787
Geological consulting	-	-	10,731	600	11,331
Geophysical	-	-	31,056	54,781	85,837
Administration	-	-	-	100	100
Balance, end of year	7,839	5,732	79,086	82,166	174,823
Impairment	-	(32,732)	-	-	(32,732)
Total, end of year	\$ 307,839	\$ -	\$ 87,086	\$ 90,166	\$ 485,091

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

4. Loans payable

Loan transactions for the years ended July 31, 2020 and 2019 are as follows:

		July 31, 2020	July 31, 2019
Balance, beginning of the year	\$	-	\$ 14,512
Loan receipts		-	9,372
Loan repayments		-	(23,884)
Balance, end of the year	\$	-	\$ -

5. Share capital***Authorized share capital***

Unlimited number of common shares without par value.

Issued share capital

At July 31, 2020, there were 38,796,411 (2019 – 28,796,411) issued and fully paid common shares.

During the year ended July 31, 2020

On May 22, 2020, the Company closed a non-brokered private placement and issued 10,000,000 units of the Company at a price of \$0.02 per unit for gross cash proceeds of \$200,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one additional common share of the Company at a price of \$0.05 per share for a period of 5 years. The Company incurred \$4,261 in share issuance costs. The units were issued to certain officers and directors of the Company (Note 6).

During the year ended July 31, 2019

On October 9, 2018, the Company issued 1,125,150 common shares of the Company at a price of \$0.10 per share for gross cash proceeds of \$22,964 and to settle debt of \$89,186 to officers and directors of the Company for management and consulting services.

On December 6, 2018, the Company issued 200,000 shares pursuant to the acquisition of the Golden Girl Property (Note 3).

On December 6, 2018, the Company issued 200,000 shares pursuant to the acquisition of the Mantle Property (Note 3).

On December 20, 2018, the Company issued 200,000 shares pursuant to the acquisition of the Lac Matchi Property (Note 3).

On January 21, 2019, in connection with the exercise of stock options, 2,563,310 shares were issued at a price of \$0.05 per share to officers and directors of the Company to settle debt of \$128,166 for management and consulting services (Note 6)

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

5. Share capital (cont'd)**Stock options**

The changes in stock options during the year ended July 31, 2020 and 2019 are as follows:

	July 31, 2020		July 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of the year	2,879,641	\$ 0.05	-	\$ -
Options granted	-	-	5,442,951	0.05
Options exercised	-	-	(2,563,310)	0.05
Options outstanding, end of the year	2,879,641	\$ 0.05	2,879,641	\$ 0.05
Options exercisable, end of the year	2,879,641	\$ 0.05	2,879,641	\$ 0.05

As at July 31, 2020, and July 31, 2019, there were 2,879,641 stock options were outstanding and exercisable. The stock options are exercisable at a price of \$0.05 per share until March 6, 2024.

During the year ended July 31, 2020, the Company recorded share-based payments of \$Nil (2019 - \$138,655). The fair value of options granted during the year ended July 31, 2019 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

	July 31, 2020	July 31, 2019
Risk-free interest rate	-	1.49% - 1.93%
Expected life	-	5 years
Estimated volatility	-	108% - 122%
Dividend rate	-	0.00%

Warrants

On May 22, 2020, the Company closed a non-brokered private placement and issued 10,000,000 units of the Company at a price of \$0.02 per unit for gross cash proceeds of \$200,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one additional common share of the Company at a price of \$0.05 per share for a period of 5 years.

The changes in purchase warrants during the year ended July 31, 2020 and 2019 are as follows:

	July 31, 2020		July 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of the year	-	\$ -	-	\$ -
Warrants issued	10,000,000	0.05	-	-
Warrants exercised	-	-	-	-
Warrants outstanding, end of the year	10,000,000	\$ 0.05	-	\$ -
Warrants exercisable, end of the year	10,000,000	\$ 0.05	-	\$ -

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

6. Related party transactions

Payments to key management and directors during the years ended July 31, 2020 and 2019 were as follows:

		July 31, 2020		July 31, 2019
Management fees paid to officers or to companies controlled by officers	\$	102,125	\$	220,000
Consulting fees paid to directors		-		10,000
Share-based payments		-		138,655
Total compensation	\$	102,125	\$	368,655

On May 22, 2020, the Company completed a private placement comprised of 10,000,000 units of the Company at a price of \$0.02 per unit for total proceeds of \$200,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one additional common share of the Company at a price of \$0.05 per share for a period of 5 years. The shares were purchased by two directors of the Company (Note 5).

Included in receivables as at July 31, 2020 is \$1,415 (July 31, 2019 - \$1,415) due from directors.

As at July 31, 2020 and 2019, there are no amounts due to directors.

7. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is not exposed to credit risk.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

7. Financial risk and capital management (cont'd)***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Fair value

The Company's financial instruments consist of cash, receivables and trade payables. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these investments. Cash is measured at fair value using Level 1 inputs.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

8. Segmented information

The Company operates in a single reportable operating segment – exploration and evaluation business in Canada.

9. Income taxes

A reconciliation of income taxes at statutory tax rates is as follows:

	July 31, 2020	July 31, 2019
Loss for the year	\$ 105,937	\$ 525,407
Statutory tax rate	27%	27%
Expected recovery of income taxes	28,603	141,860
Permanent and other differences	2,527	(33,300)
Change in prior year estimates	(3,036)	-
Change in benefit not recognized	(28,094)	(108,560)
Deferred income tax recovery	\$ -	\$ -

Waraba Gold Limited (formerly Zenith Exploration Inc.)

Notes to the Consolidated Financial Statements

For the Years Ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

9. Income taxes (cont'd)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

		July 31, 2020		July 31, 2019
Non-capital losses and others	\$	156,078	\$	127,984

The Company's non-capital losses of \$580,751 expire between 2036 and 2040 if not utilized to reduce income in future periods.

10. Subsequent events

On October 14, 2020, certain officers, directors and former officers and directors have forfeited all of their share purchase options.

On November 19, 2020, the Company closed a non-brokered private placement and issued 7,599,375 units at a price of \$0.20 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional common share at a price of \$1.00 per common share for 12 months following the closing date of the non-brokered private placement.