AUXICO RESOURCES CANADA INC.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

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Contents

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of
Auxico Resources Canada Inc.,

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Audit Committee is composed in majority of Directors who are neither management nor employees of the Company. The Committee is responsible for overseeing management in the performance of its financial reporting responsibilities. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

Guimond Lavallée Inc., Chartered Professional Accountants Company, has been appointed to audit the consolidated financial statements and their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board, the Audit Committee and management to discuss their audit findings.

February 1, 2021

/s/ Mark Billings
President

Guimond Lavallée
Chartered professional accountants corporation

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
AUXICO RESOURCES CANADA INC.,

Opinion

We have audited the accompanying consolidated financial statements of AUXICO RESOURCES CANADA INC., and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at September 30, 2020 and September 30, 2019 and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in shareholders equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at September 30, 2020 and 2019, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material uncertainty related to going concern

We draw attention to note 2 of the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

WWW.CAGL.CA

7055 boul. Taschereau, suite 500, Brossard (Québec) J4Z 1A7
Telephone : 450.466.1313 | Fax : 450.466.0772

801 route Marie-Victorin, Sorel-Tracy (Québec) J3R 1L1
Telephone : 450.855.4646 | Fax : 450.466.0772

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

If, in the light of the work we have done on this other information, we conclude that there is a material misstatement in this other information, we are required to report this fact in the auditor's report. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, 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.

7055 boul. Taschereau, suite 500, Brossard (Québec) J4Z 1A7
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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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents 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 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 auditor’s report is David Bédard.

Guimond Lavallée Inc.[1]

Chartered Professional Accountant Company

Brossard (Quebec)
February 1, 2021

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1 CPA auditor, CA, public accountancy permit No. A128615

7055 boul. Taschereau, suite 500, Brossard (Québec) J4Z 1A7
Telephone : 450.466.1313 | Fax : 450.466.0772

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Auxico Resources Canada Inc.
Consolidated Statements of Financial Position
September 30, 2020 and 2019
(Expressed in Canadian Dollars)

	September 30, 2020 **$**	September 30, 2019 $
ASSETS		
Current assets		
Cash & cash equivalents	**288,780**	9,139
Sales tax receivable	**103,733**	20,057
Prepaid expenses	**156,469**	47,814
Inventory	**47,171**	-
Advance to directors (note 16)	**3,098**	3,098
Advance to companies controlled by a director (note 16)	**8,646**	-
Advance to a joint operation (note 7)	**288,360**	-
TOTAL ASSETS	**896,257**	80,108
LIABILITIES		
Current liabilities		
Accounts payable and accruals	**578,628**	428,936
Income tax payable	**4,314**	2,740
Due to companies controlled by a director (note 16)	**34,000**	95,817
Due to directors (note 16)	**36,530**	21,606
Convertible debentures (note 9)	**215,433**	-
	868,905	549,099
Non-current liabilities		
Deferred income tax liabilities (note 15)	**70,972**	56,887
Convertible debentures (note 9)	**3,609,300**	-
	3,680,272	56,887
TOTAL LIABILITIES	**4,549,177**	605,986
DEFICIENCY		
Deficiency attributable to shareholders	**(3,654,952)**	(528,050)
Equity attributable to non-controlling interest	**2,032**	2,172
Total deficiency	**(3,652,920)**	(525,878)
TOTAL LIABILITIES & DEFICIENCY	**896,257**	80,108

Going Concern (note 2)
Commitments (note 18)
Subsequent Events (note 20)

Approved on behalf of the Board:

The accompanying notes form an integral part of the consolidated financial statements.

Auxico Resources Canada Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
	$	$
Expenses		
Professional fees	**449,195**	821,369
Management fees	**210,000**	210,000
Legal fees	**61,950**	88,089
Exploration and evaluation expenditures (note 17)	**103,038**	294,445
Travel expenses	**2,344**	71,663
Office expenses	**1,872**	9,907
Rent	**36,000**	36,000
Advertising	**44,849**	83,429
Taxes and permits	**94**	753
Telecommunication	**2,681**	6,660
Public listing fees	**51,141**	55,838
Gain on litigation settlement (note 8)	**-**	(51,459)
Litigation provision (note 8)	**-**	4,775
Settlement of payables	**(99,310)**	-
Share-based compensation (note 10)	**63,772**	76,163
Write-off of sales tax receivable	**2,715**	11,882
(Gain) Loss on foreign exchange	**(9,532)**	48,422
Interest and bank fees	**4,071**	5,180
Interest and penalties	**25,329**	9,824
Interest on convertible debentures	**3,943**	-
Transaction costs (note 9)	**15,336**	-
Accreted interest on convertible debentures (note 9)	**100,977**	-
Unrealized loss on derivative financial instrument (note 9)	**1,314,801**	-
Fair value adjustment of the conversion option (note 9)	**789,621**	-
Loss before income taxes	**(3,174,887)**	(1,782,940)
Income taxes		
Income tax expense (note 15)	**1,842**	2,740
Deferred income taxes (note 15)	**14,085**	26,302
Net loss and comprehensive loss	**(3,190,814)**	(1,811,982)
Net loss and comprehensive loss attributable to:		
Shareholders	**(3,190,674)**	(1,810,737)
Non-controlling interest	**(140)**	(1,245)
	(3,190,814)	(1,811,982)
Loss per share to equity holders of Auxico Resources Canada Inc. basic & diluted (note 11)	**(0.071)**	(0.042)
Weighted average number of shares outstanding	**44,885,000**	42,694,589

The accompanying notes form an integral part of the consolidated financial statements.

Auxico Resources Canada Inc.
Consolidated Statements of Changes in Equity
For the years ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)

	Total equity (deficiency) attributable to shareholders						
	SHARE CAPITAL (Note 10)		DEFICIT	WARRANTS (Note 10)	CONTRIBUTED SURPLUS	TOTAL EQUITY (DEFICIENCY)	NON-CONTROLLING INTEREST
	#	$	$	$	$	$	$
Balance as at September 30, 2019	44,885,000	4,972,177	(6,916,050)	399,223	1,016,600	(528,050)	2,172
Stock-based compensation	-	-	-	-	63,772	63,772	-
Net loss and comprehensive loss for the year	-	-	(3,190,674)	-	-	(3,190,674)	(140)
Balance as at September 30, 2020	**44,885,000**	**4,972,177**	**(10,106,724)**	**399,223**	**1,080,372**	**(3,654,952)**	**2,032**
Balance as at September 30, 2018	38,360,000	4,048,169	(5,105,313)	77,315	940,437	(39,392)	-
Shares and warrants issued in a private placement	5,950,000	856,298	-	293,702	-	1,150,000	-
Shares and warrants issued for provision settlement (note 8)	300,000	55,500	-	13,416	-	68,916	-
Contribution	-	-	-	-	-	-	3,417
Shares and warrants issued to consultants for services	275,000	40,210	-	14,790	-	55,000	-
Issuance costs	-	(28,000)	-	-	-	(28,000)	-
Share-based compensation	-	-	-	-	76,163	76,163	-
Net loss and comprehensive loss for the year	-	-	(1,810,737)	-	-	(1,810,737)	(1,245)
Balance as at September 30, 2019	**44,885,000**	**4,972,177**	**(6,916,050)**	**399,223**	**1,016,600**	**(528,050)**	**2,172**

The accompanying notes form an integral part of the consolidated financial statements.

Auxico Resources Canada Inc.
Consolidated Statements of Cash Flows
September 30, 2020 and 2019
(Expressed in Canadian Dollars)

	2020 $	2019 $
Cash used in operating activities		
Net loss for the year	**(3,190,814)**	(1,811,982)
Adjustments for:		
Share-based compensation	**63,772**	76,163
Unrealized foreign exchange loss	**17,522**	3,074
Write-off of sales tax receivable	**2,715**	11,882
Litigation provision	**-**	4,775
Gain on litigation settlement	**-**	(51,459)
Deferred income tax expense	**14,085**	26,302
Unrealized loss on derivative financial instrument	**1,314,801**	-
Fair value adjustment of the conversion option	**789,621**	-
Accreted interest	**100,977**	-
Settlement of payables	**99,310**	-
Amortization of issuance costs	**2,204**	
Net changes in non-cash working capital items:		
Sales tax receivable	**(86,391)**	(5,354)
Income tax payable	**1,842**	2,740
Prepaid expenses	**(108,655)**	63,156
Inventory	**(47,171)**	-
Accounts payable and accruals	**32,082**	243,559
	(994,100)	(1,437,144)
Cash flows used in investing activities		
Advances to a joint operation	**(288,360)**	-
Advances to companies controlled by a director	**(35,973)**	-
	(324,333)	-
Cash flows from financing activities		
Due to directors	**14,924**	9,185
Due to companies controlled by a director	**(34,490)**	84,319
Proceeds from issuance of convertible debentures [(a)]	**1,617,130**	-
Proceeds from issuance of shares [(b)]	**-**	1,205,000
Issuance costs [(a)]	**-**	(28,000)
Contribution	**-**	3,417
	1,597,564	1,273,921
Increase (decrease) in cash and cash equivalents	**279,131**	(163,223)
Cash and cash equivalents, beginning of the year	**9,139**	172,178
Effect of foreign exchange rate fluctuations on cash and cash equivalents	**510**	184
Cash and cash equivalents, end of the year	**288,780**	9,139
Supplemental information		
Interest paid	**8,017**	5,180

[(a)]The proceeds from issuance of convertible debentures are net of capitalized issuance costs totalling $32,870.

[(b)]There was no non-cash financing activities for the year ended September 30, 2020. For the year ended September 30, 2019, non-cash financing activities include the payment of the provision through issuance of units which totalled $68,916 (refer to note 8) and the payment of a consultant through issuance of units and warrants which totalled $55,000 (refer to note 8).

The accompanying notes form an integral part of the consolidated financial statements.

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

Auxico Resources Canada Inc. ("Auxico" or the "Company") was incorporated under the Canada Business Corporation Act on April 16, 2014. Auxico has two subsidiaries, Auxico Resources S.A. de C.V., which was incorporated under the laws of Mexico on June 16, 2011 and C.I. Auxico de Colombia S.A., which was incorporated under the laws of Colombia on April 9, 2019. Auxico is a mineral exploration company with silver-gold properties in the state of Sinaloa, Mexico. The Company is also actively engaged in exploration mining opportunities in Colombia, in Democratic Republic of Congo ("DRC") as well as Brazil.

The Company's head office and primary place of business is located at 500-201 Notre-Dame Street West, Montréal, Québec, H2Y 1T4, Canada.

2. GOING CONCERN

The business of mining exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in its mining properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Although the Company has taken steps to verify the title to the properties on which it is conducting exploration and has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims and non-compliance with regulatory requirements.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Auxico is not currently generating any revenue from its operations and for the year ended September 30, 2020, the Company recorded a net comprehensive loss of $3,190,814 (September 30, 2019 - $1,811,982) and a deficit of $10,106,724 (deficit of $6,916,050 as at September 30, 2019). Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its explorations, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities. In that regards, for the year ended September 30, 2020, the Company created a joint operation in DRC and entered into agreements with Brazilian's suppliers to purchase a significant quantity of columbite.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

3. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors on February 1, 2021.

3. BASIS OF PREPARATION (continued)

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following material item in the consolidated statements of financial position:

- Derivative instrument is measured at fair value.

The consolidated financial statements have been prepared on a going concern basis, meaning the Company would be able to realize its assets and discharge its liabilities in the normal course of action.

Basis of consolidation

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company.

The Company's subsidiaries, as at September 30, are:

	2020	2019
Auxico Resources S.A. de C.V. ("Auxico Mexico")	100%	100%
C.I. Auxico de Colombia S.A ("Auxico Colombia")	96%	N/A

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent equity interests in the subsidiary owned by outside parties. The share of net assets of the subsidiary attributable to non-controlling interests is presented as a component of equity. Their share of net loss and comprehensive loss is recognized directly in equity.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES

Issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. The Company charges share issue costs to share capital and debentures when the related financial instruments are issued. Deferred issue costs related to financing transactions that are not completed are charged to expenses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

A share-based compensation plan has been granted by the Company to its directors, officers and employees. Share-based compensation expense is measured based on the fair value at the grant date and recognized over the period that the employees unconditionally become entitled to the awards with a corresponding increase in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. For non-employees, the fair value of the options is re-measured and recognized over the service period.

Upon the exercise of the options, any consideration received from plan participants is credited to share capital; the amount originally credited to contributed surplus is also reclassified to share capital.

Provision

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

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Foreign currency translation

Foreign currency transactions are translated into the 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.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mining properties and exploration and evaluation expenditures

Exploration and evaluation (E&E) expenditures include rights in mining properties and costs related to the initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in net income (loss) when they are incurred.

E&E expenditures also include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore such as topographical, geological, geochemical and geophysical studies. Expenditures relating to E&E activities are expensed as incurred.

E&E include costs related to establishing the technical and commercial viability of extracting a mineral resource. E&E include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral source or a proven and probable reserve;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

The E&E expenses are recorded in the consolidated statement of loss and comprehensive loss until such time as the technical feasibility and commercial viability has been established that supports the future development of the property.

Financial instruments

(i) Financial assets

Financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'at amortized cost' and 'fair value through other comprehensive income' (FVOCI). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

IFRS 9 presents an approach to the classification and measurement of financial assets that considers the business model for managing assets and the characteristics of the related cash flows. Financial assets are classified and valued according to three categories: at amortized cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured according to two categories: at amortized cost or at FVTPL. In accordance with IFRS 9, derivatives embedded in contracts where the host contract is a financial asset falling within the scope of the standard are not separated, but the hybrid financial instrument as a whole is valued for the purposes of ranking.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the near term; if on initial recognition it is part of portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)
A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. Financial assets at FVTOCI are stated at fair value, with any gains or losses arising on re-measurement recognized through other comprehensive income. Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'debt instruments'. Debt instruments are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company has classified all of its financial assets as follows:

Financial Assets	**Classification**	**Subsequent Measurement**
Cash and cash equivalents	Debt instruments	Amortized cost
Advance to directors	Debt instruments	Amortized cost
Advance to a companies controlled by directors	Debt instruments	Amortized cost
Advances to a joint operation	Debt instruments	Amortized cost

(ii) Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired if there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

(iii) Derecognition of financial assets
The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) Financial liabilities and equity instruments issued by the Company
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

(v) Financial liabilities and equity instruments issued by the Company
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term; or if on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or if it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; if the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or if it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive loss.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

The Company has classified all of its financial liabilities as follows:

Financial Liability	**Classification**	**Subsequent Measurement**
Accounts payable and accruals	Other financial liability	Amortized cost
Due to companies controlled by a director	Other financial liability	Amortized cost
Due to directors	Other financial liability	Amortized cost
Convertible debentures – Host component	Other financial liability	Amortized cost
Convertible debentures – Conversion option	FVTPL	Fair value

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(vi) Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(vii) Extinguishment of financial liabilities with equity instruments
In accordance with IFRIC 19, when debt is extinguished with equity, the difference between the carrying amount of the debt extinguished and the fair value of the equity is recognized in the consolidated statement of loss and comprehensive loss, unless the settlement was determined to be a transaction with an owner, in which case the difference is recognized in the equity.

Income taxes

i) 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 valuates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii) Deferred income tax

Deferred income taxes are recorded using the asset and liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on temporary differences at the reporting date between the tax basis 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.

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.

Inventory

Inventory is measured at the lower of cost and net realizable value. Cost is determined using the FIFO (first in, first out) method. The cost of inventory comprise all cost of purchase incurred in bringing the inventory to their present location and condition. The costs of purchase include the purchase price, non-recoverable taxes, transport, handling and other costs directly attributable to the acquisition of finished goods Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements

A joint arrangement can take the form of a joint operation or joint venture. All joint arrangements involve a contractual arrangement that establishes joint control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operation may or may not be structured through a separate vehicle. These arrangements involve joint control of one or more of the assets acquired or contributed for the purpose of the joint operation. The consolidated financial statements of the Company include its share of the assets in such joint operations, together with its share of the liabilities, revenues and expenses arising jointly or otherwise from those operations. All such amounts are measured in accordance with the terms of each arrangement.

Adoption of new accounting standards

The accounting policies used in these consolidated financial statements are consistent with those applied by the Company in its September 30, 2019 consolidated financial statements except for the amendments to certain accounting standards which are relevant to the Company and were adopted as of October 1, 2019 as described below:

i) IFRS 16 Leases ("IFRS 16")
On October 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases as applied under IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (leases of 12 months or less) or leases of low-value assets.

The adoption of IFRS 16 did not result in any adjustment on the Company's consolidated profit or loss or its financial position.

ii) IFRIC 23 Uncertainty over Income Tax Treatments
This standard clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Company adopted this standard on October 1, 2019, which did not have a significant effect on the Company 's consolidated financial statements.

Standards issued but not yet effective

At September 30, 2020, a number of new standards, amendments to standards and interpretations have been issued but are not yet effective. Accordingly, they have not been applied in preparing these consolidated financial statements. The Company is currently assessing the impact that these standards will have on the consolidated financial statements.

The standards issued but not yet effective that are expected to be relevant to the Company's consolidated financial statements are provided below.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements and are not listed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

i) Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the consolidated statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

ii) Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

iii) *Annual Improvements to IFRS Standards 2018–2020*

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

IFRS 9 Financial Instruments
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

iii) Annual Improvements to IFRS Standards 2018–2020 (continued)

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting year. 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 those estimates.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

i) *Going concern*
The assessment of the Company's ability to raise sufficient funds to finance its exploration and administrative expenses involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

ii) *Convertible debentures*
The convertible debentures issued by the Company include conversion options as well as a participating feature on net profits generated by the Company, which are considered as Level 3 financial instruments, both classified as liabilities components. The host component is initially recorded at fair value and subsequently at amortized cost using the effective interest rate method. The derivative component is measured at fair value through profit and loss, and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the statement of loss and comprehensive loss. A derivative valuation model is used, and includes management's assumptions, to estimate the fair value. Detailed assumptions used in the model to determine the fair value of the embedded derivative as of September 30, 2020, are provided in Note 9.

iii) *Determination of deferred income taxes*
The carrying amount of deferred income tax assets is reviewed at each financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be used. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered. There is no certainty that future income tax rates will be consistent with current estimates. Changes in tax rates increase the volatility of the Company's earnings.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

iv) *Black & Scholes valuation*
The calculation of the fair value of units, stock options and warrants granted require management to make estimates and assumptions about the fair value of the underlying common shares of the Company, expected volatility, expected life and expected forfeiture rates, which could affect the Company's results if the current estimates change. Expected volatility was based on the Company's historical volatility and the volatility of an equity market index in the mining sector for the same period. The credit spread used in the valuation was based on an index for CAD triple-C corporate bonds.

v) *Joint arrangements*
Judgment is required to determine whether the Company has joint control of a contractual arrangement, which requires continuous assessment of the relevant activities and whether the decisions in relation to those activities require unanimous consent. Judgment is also continually required to classify a joint arrangement as either a joint operation or a joint venture when the arrangement has been structured through a separate vehicle. Classifying the arrangement requires the Company to assess its rights and obligations arising from the arrangement. Specifically, the Company considers the legal form of the separate vehicle, the terms of the contractual arrangement and other relevant facts and circumstances. This assessment often requires significant judgment, and a different conclusion on joint control, or whether the arrangement is a joint operation or a joint venture, may have a material impact on the accounting treatment.

Management evaluated its joint arrangement with Kibara Minerals Inc ("Kibara") where each partner acquire a participation in the profit of a joint operations for which no structured separate vehicle was made. Under the principles of IFRS 11 – Joint Arrangements, since there is joint arrangements not structured through a separate vehicle, it is automatically classified as a joint operation.

6. INCIDENCE OF COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services for some period have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. There have been business closures and a substantial reduction in economic activity in a large number of countries. Management is closely monitoring the situation by diminishing costs where it can and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance. Beside the fact that longer delays are to be expected for upcoming sales and purchases transactions, there was no other material impact on the Company's operations at the date of these audited consolidated financial statements.

(Expressed in Canadian Dollars)

7. ADVANCE TO JOINT OPERATION

On June 2, 2020, the Company entered into a joint venture agreement with Kibara Minerals s.a.r.l. (“Kibara”), a company based in the Democratic Republic of the Congo (“DRC”), concerning the trading of high-grade tantalum and niobium ores from the DRC. Kibara has exclusive supply agreements with local cooperatives in the DRC for the purchase of such ores. the Company has access to buyers worldwide for these ores.

Under the terms of the joint venture agreement for the export of tantalum and niobium-bearing ore from the DRC, the Company will provide financing of up to $1,000,000 (CDN) for the trading of these ores. These funds will be used for:

- Site mobilization for the resumption of production;
- Working capital for the extraction and purchase of ore;
- Transportation of the ore from deposit to the port of Matadi in the DRC;
- Related export taxes; and
- Warehousing of the ore.

Kibara will be responsible for managing the relationship with the cooperatives in the DRC and for sourcing the ore and obtaining the necessary permits and licenses for the export of this ore from the DRC. The profits generated from the trading of tantalum and niobium-bearing ores from the DRC will be shared by the two parties, with 70% going to the Company, with 30% going to Kibara. As at September 30, 2020, the Company has advanced $288,360 to Kibara. The joint operation will only be effective at the commencement of trading activities of tantalum and niobium ores. Since such activities were not started as of September 30, 2020, the amount advanced by the Company remains an advance to a joint operation without interest.

8. PROVISION

	2020 **$**	2019 $
Balance as at September 30	**-**	165,600
Provision	**-**	-
Litigation settlement payments	**-**	(50,000)
Issuance of units	**-**	(68,916)
Gain on litigation settlement	**-**	(46,684)
Balance as at September 30	**-**	**-**

The Company was served on March 8, 2017 with a legal proceeding from Telferscot Resources Inc. filed in the Superior Court of Quebec alleging that based on the Amendment to the Amalgamation Agreement signed June 30, 2016 and terminated January 5, 2017, a number of conditions would have not been met, and thus, the break-up fee is due and owing by the Company. The parties have agreed on and filed a case protocol. The exposure consisted in the amount claimed in capital, interest and legal costs, which are limited to courts cost and fees and various disbursements but do not include counsel legal fees.

8. PROVISION (continued)

During the period ended September 30, 2019, both parties hereby agreed the following:

- $25,000 in cash will be paid by the Company upon signature of the agreement as of March 15, 2019.

- The Company will remit $60,000 in units of the Company consisting of one common share and one-half common share purchase warrant, to be issued no later than March 29, 2019 and at a price not greater than $0.20 per unit and in conjunction with a financing of not less than $100,000.

- An additional $25,000 in cash upon closing of the Company's next financing or no later than March 31, 2019.

9. CONVERTIBLE DEBENTURES

During the months of June and July 2020, the Company. completed two non-brokered private placements, raising aggregate gross proceeds of $1,650,000 in participating convertible debentures (the "Debentures"). Each Debenture consists of $1 principal amount of participating, secured, non-redeemable 10% convertible debenture maturing on either June 19, 2023, or July 24, 2023 (the "Maturity Dates") and convertible at the option of the Debenture holder into:

(i) units ("Units") of the Company that are equal to the principal amount of each Debenture being converted at a deemed price of $0.10 per Unit. Each Unit is comprised of one common share ("Share") in the capital of the Company and one warrant ("Warrant"). Each Warrant is exercisable into one Share at a price of $0.15 for a period of three years from the date of issuance; or
(ii) the number of common shares of Central America Nickel Inc. ("CAN") (a private company based in Montréal, Canada) at a conversion price of $1.00 per CAN share; and
(iii) a cash payment equal to the principal amount and an amount corresponding to the interest that such holder would receive if the holder held the Debenture from the date of conversion until the Maturity Dates.

Interest at a fix rate of 10% per annum will be paid to Debenture holders semi-annually in arrears.

In addition, Debenture holders will receive a total of 16.5% of the net profits generated by the Company from the sale of tantalum and niobium-bearing ores, to be paid quarterly in arrears; this represents 1% of the profits for every $100,000 principal amount of Debentures ("Participating Feature").

The Company paid finder's fees of $46,000 in connection with these private placements. The Debentures issued pursuant to the private placements are subject to a four-month hold period.

In accordance with IAS 32, Financial Instruments: Presentation ("IAS 32"), the issuer of a non-derivative financial instrument shall evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity component. In application of this standard, the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

(Expressed in Canadian Dollars)

9. CONVERTIBLE DEBENTURES (continued)

At the issuance of the Debentures, the Company determined that the conversion options constitute an embedded derivative financial instrument. Upon a conversion into units of the Company, the carrying amount of the host debt instrument recorded at amortized cost and the fair value of the related embedded derivative will be transferred to equity. Upon a conversion into common shares of CAN, the carrying amount of the host debt instrument and the fair value of the related embedded derivative will be transferred to profit and loss.

The convertible debentures are a hybrid instrument, which are in their entirety regarded as a financial liability. The initial carrying amount of $2,114,662 for the debt host represents the participating feature to net profits as well as the residual debt instrument. The Company determined the initial carrying amount using the discounted fair value of the debt host and, following initial measurement, the host component will be amortized over the term of maturity using the effective interest rate method. The interest rate used for the calculation of the discounted fair value was 19%. Any directly attributable transaction costs are allocated to the host and derivative components in proportion to their initial carrying amounts.

At the date of these financial statements, the Company reviewed the estimated fair value of the conversion options and adjusted the initial fair value to $1,639,760 using the same valuation technique.

The fair value of the Conversion Options was estimated using Monte Carlo simulation (using the Black-Scholes framework). Monte Carlo simulation is a procedure for randomly sampling changes in market variables in order to value derivatives.

The following assumptions were used to determine the fair value:

	September 30, 2020	Inception
Estimated life	**2.8 years**	3 years
Actual stock price	**0.19$**	0.08$
Volatility	**100.4%**	98.1%
Risk free rate	**0.308**	0.290
Dividend yield	**-%**	-%

(Expressed in Canadian Dollars)

9. CONVERTIBLE DEBENTURES (continued)

For the year ended September 30, 2020, the change in fair value of derivatives resulted in an increase of expense of $789,621 (September 30, 2019 – Nil) and was recorded in the consolidated statements of loss and comprehensive loss.

	Host Component $	Conversion Options $	Total $
Balance at September 30, 2019	-	-	-
Initial proceeds	1,650,000	-	**1,650,000**
Fair value adjustment at inception	464,662	850,139	**1,314,801**
Transaction costs allocated to host component	(32,870)	-	**(32,870)**
Accretion	100,977	-	**100,977**
Amortization of transaction costs [a]	2,204	-	**2,204**
Change in fair value of the derivative	-	789,621	**789,621**
Balance at September 30, 2020	**2,184,973**	**1,639,760**	**3,824,733**
Current potion [b]	**215,433**	**-**	**215,433**
Long term portion	**1,969,540**	**1,639,760**	**3,609,300**

[a] The amortization of transaction costs was presented as an expense with the transactions costs allocated to the derivative component and was recorded in the consolidated statements of loss and comprehensive loss

[b] For the year ended September 30, 2020, the Company estimated the current portion of the Debentures payable for an amount of $215,433, which represent the semi-annual interest payments and the participating feature.

Accretion and accrued interest payable on the Debentures are included in financing expense in the consolidated statements of loss and comprehensive loss.

At inception, the Company recognized an unrealized loss on Debentures in the amount of $1,314,801, which was the difference between the fair value of the combined liabilities and the proceeds received.

A conversion of $30,000 principal amount of debentures occurred subsequently to the Company's year end (note 20).

10. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. As at September 30, 2020, there were 44,885,000 (44,885,000 as at September 30, 2019) issued and fully paid common shares.

10. SHARE CAPITAL (continued)

Shares issued

On November 2, 2018, the Company completed a non-brokered private placement, raising gross proceeds of $315,000 by issuing 1,575,000 units of the capital of the Company at a price of $0.20 per common share. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional Common Share of the company at a price of $0.40 per Common Share for two years from the date of issuance.

On February 11, 2019, the Company completed a non-brokered private placement, raising gross proceeds of $400,000 by issuing 2,000,000 units of the capital of the Company at a price of $0.20 per common share. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional Common Share of the company at a price of $0.40 per Common Share for two years from the date of issuance.

On March 11, 2019, the Company completed a non-brokered private placement, raising gross proceeds of $400,000 by issuing 2,000,000 units of the capital of the Company at a price of $0.20 per common share. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional Common Share of the company at a price of $0.40 per Common Share for two years from the date of issuance.

On March 27, 2019, the Company completed a non-brokered private placement, raising gross proceeds of $190,000 by issuing 950,000 units of the capital of the Company at a price of $0.20 per common share. Each unit consists of one common share and one-half transferable common share purchase warrant. Each full Warrant entitles the holder to acquire one additional Common Share of the company at a price of $0.40 per Common Share for two years from the date of issuance.

Issuance costs of $28,000 were incurred for private placement closed in the year ended September 30, 2019.

Warrants

On November 2, 2018, the Company issued 787,500 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of $0.21 and an exercise price of $0.40, risk free rate of 2.32%, volatility of 126.32%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of $79,304. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of $0.40 at any time until the second-year anniversary of the date of their issuance.

On February 11, 2019, the Company issued 1,000,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of $0.19 and an exercise price of $0.40, risk free rate of 1.79%, volatility of 126.32%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of $93,113. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of $0.40 at any time until the second-year anniversary of the date of their issuance.

On March 11, 2019, the Company issued 1,000,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of $0.21 and an exercise price of $0.40, risk free rate of 1.66%, volatility of 126.32%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of $107,008. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of $0.40 at any time until the second-year anniversary of the date of their issuance.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

Warrants (continued)

On March 27, 2019, the Company issued 475,000 warrants. The fair value of these warrants was calculated using Black-Scholes pricing model using a share price of $0.185 and an exercise price of $0.40, risk free rate of 1.47%, volatility of 126.32%, vesting immediately and expected life of 2 years from date of grant resulting in a fair value of $42,483. Each warrant will entitle its holder to subscribe for and purchase one fully paid and non-assessable common share of the Company at a price of $0.40 at any time until the second-year anniversary of the date of their issuance.

Changes in the number of warrants outstanding are as follows:	Number of warrants	Weighted average exercise price
Balance as at September 30, 2018	1,291,600	$0.40
Issued	3,262,500	$0.40
Balance as at September 30, 2019	4,554,100	$0.40
Expired	(1,275,000)	$0.40
Balance as at September 30, 2020	**3,279,100**	**$0.40**

630,000 warrants were exercised subsequently to the Company's year end (note 20).

The following table summarizes the information on outstanding warrants as at:

	September 30, 2020		September 30, 2019	
Exercise price	**Number of warrants**	**Weighted average number of remaining contractual life**	Number of warrants	Weighted average number of remaining contractual life
$0.25	**16,600**	**1.91**	16,600	2.91
$0.40	**-**	**-**	1,275,000	0.89
$0.40	**787,500**	**0.09**	787,500	1.09
$0.40	**1,000,000**	**0.37**	1,000,000	1.37
$0.40	**1,000,000**	**0.45**	1,000,000	1.45
$0.40	**475,000**	**0.49**	475,000	1.49
	3,279,100		4,454,100	

Stock options

In 2017, the Board of Directors of the Company adopted an incentive stock option plan (the "Plan"), for the benefit of employees, consultants, officers and directors. The Plan allows the Company to issue stock options up to a maximum of 10% of the issued and outstanding shares of the Company at the date of grant. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and may not be less than the closing market price during the trading day immediately preceding the date of the grant of the options on the Exchange, for a minimum amount of $0.10 per option. The vesting period and expiry date are determined by the Board of Directors for each vesting.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

Stock options (continued)

On March 23, 2019, the Board of Directors issued 500,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $0.25, no vesting period and expire in 5 years. The fair value of the options was estimated at $0.152 per option at the grant date for a total of $76,164 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 1.45%, expected volatility of 126.32% and expected option life of five years.

On September 15, 2020, the Board of Directors issued 600,000 stock options to consultants, officers and directors of the Company. These stock options have a strike price of $0.105, no vesting period and expire in 5 years. The fair value of the options was estimated at $0.106 per option at the grant date for a total of $63,772 using the Black-Scholes option pricing-model with the following assumptions: risk-free interest rate of 0.36%, expected volatility of 96.20 % and expected option life of five years.

Changes in the number of options outstanding are as follows:	Number of option	Weighted average exercise price
Balance as at September 30, 2018	3,675,000	$0.31
Issued	500,000	$0.25
Expired	(100,000)	$0.40
Cancelled	(200,000)	$0.40
Balance as at September 30, 2019	3,875,000	$0.30
Issued	600,000	$0.105
Balance, as at September 30, 2020	**4,475,000**	**$0.27**

295,000 options were exercised subsequently to the Company's year end (note 20).

The following table summarizes the information on outstanding options at

	September 30, 2020		September 30, 2019	
Exercise price	**Number of option**	**Weighted average number of remaining contractual life**	Number of option	Weighted average number of remaining contractual life
$0.25	**2,325,000**	**1.36**	2,325,000	2.36
$0.40	**450,000**	**2.06**	450,000	3.06
$0.40	**200,000**	**2.45**	200,000	3.45
$0.25	**400,000**	**2.89**	400,000	3.89
$0.25	**500,000**	**3.49**	500,000	4.49
$0.105	**600,000**	**4.96**	-	-
	4,475,000		3,875,000	

(Expressed in Canadian Dollars)

11. LOSS PER SHARE

Basic EPS
Basic EPS is computed by dividing net loss for a year by the weighted average number of common shares outstanding during that year.

Diluted EPS
Diluted EPS is computed by dividing net loss for a year by the diluted number of common shares. Diluted common shares includes the effects of instruments, such as share options, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the years ended September 30, 2020 and 2019. The Company has accordingly presented basic and diluted EPS, which are the same, on a single line in the consolidated statements of loss and comprehensive loss.

12. SEGMENTATION INFORMATION

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral property interests and in five geographical segments, Canada, Mexico, Colombia, DRC and Brazil. The total assets and the capital assets identifiable with these geographic areas for the years ended September 30, 2020 and 2019 are as follows:

	2020 **$**	2019 $
Canada	**556,813**	71,887
Mexico	**371**	4,941
Colombia	**3,542**	3,280
DRC	**288,360**	-
Brazil	**47,171**	-
Total assets	**896,257**	80,108
Canada	**4,355,379**	509,080
Mexico	**193,697**	92,377
Colombia	**101**	4,529
Total liabilities	**4,549,177**	605,986
Canada	**(1,941,200)**	1,015,434
Mexico	**(1,680,514)**	(1,513,596)
Colombia	**(33,238)**	(29,888)
Total deficiency	**(3,654,952)**	(528,050)
Canada	**3,020,406**	1,455,158
Mexico	**166,918**	325,690
Colombia	**3,490**	31,134
Net loss and comprehensive loss	**3,190,814**	1,811,982

(Expressed in Canadian Dollars)

13. CAPITAL MANAGEMENT

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to the Company, in order to support the planned exploration and development of mineral property interests. Management has not established a quantitative capital structure. Capital needs are reviewed on a regular basis by management relative to the stage of development of the business entity.

The Company currently is dependent on externally provided equity financing to fund its future exploration activities. In order to carry out planned exploration and development and fund administrative costs, the Company will allocate its existing capital and plans to raise additional amounts as needed through equity and related party advances if available.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company, the current state of the markets and exploration industry. There were no changes in the Company's approach to capital management during the years.

The Company's capital items are the following:

	For the years ended September 30	
	2020	2019
	$	$
Cash & cash equivalents	**288,780**	9,139
Advance to directors	**3,098**	3,098
Advance to companies controlled by a director	**8,646**	-
Advance to a joint operation	**288,360**	-
Due to directors	**36,530**	21,606
Due to companies controlled by directors	**34,000**	95,817
Share capital	**4,972,177**	4,972,177

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Classification of financial instruments
The carrying amount of the Company's financial assets and liabilities by categories are as follows:

Financial assets and liabilities recognized at amortized cost:

	For the years ended September 30	
	2020	2019
	$	$
Cash & cash equivalents	**288,780**	9,139
Advance to directors	**3,098**	3,098
Advance to companies controlled by a director	**8,646**	-
Advance to a joint venture	**288,360**	-
Accounts payable and accruals	**578,628**	428,936
Due to directors	**36,530**	21,606
Due to companies controlled by directors	**34,000**	95,817
Convertible debentures – host component	**2,184,973**	-

Fair value

Fair value is the estimated amount that parties dealing at arm's length would accept to exchange in settlement of a financial instrument based on the current market for instruments with the same risk, principal and maturity date. These fair value estimates are affected by assumptions made about the amount and timing of estimated future cash flows, discount rates and terms of the contract. As a result, the fair values are not necessarily the net amounts that would be realized if such financial instruments were settled.

The Company has determined that the carrying amount of its short-term financial assets and liabilities, including, cash & cash equivalents, advance to directors, advance to companies controlled by a director, advance to a joint operation, accounts payable and accruals, due to directors and due to companies controlled by a director approximates their fair value because of the relatively short periods to maturity of these instruments.

Management believes that no significant change occurred in the risk of these instruments.

Fair value hierarchy

Fair value estimates are made as of a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and may not be determined with precision. A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy (continued)

Financial liabilities recognized at fair value:

	For the years ended September 30	
	2020	2019
	$	$
Convertible debentures – Conversion feature (level 3)	**1,639,760**	-

Risks

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flows and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

Market risk

Foreign exchange risk: Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Company's financial assets is denominated in United States dollars, in Mexican Pesos and in Colombian Pesos. Consequently, certain financial assets are exposed to exchange fluctuations. Most of the Company's operations are conducted in Canadian dollars. The Company does not hold derivative financial instruments to manage the fluctuation of exchange rate risk.

The financial assets denominated in United States dollars and in Mexican Pesos, translated into Canadian dollars at the closing rate, which expose the Company to exchange risk are:

	For the years ended September 30	
	2020	2019
	$	$
Cash & cash equivalents (United States)	**2,589**	98
Cash & cash equivalents (Mexico)	**371**	4,942
Net exposure	**2,960**	5,040

A 10% change in the exchange rate would not have a significant impact.

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

i) Fair value interest rate risk:
Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate, because of changes in interest rates. The Company's financial liabilities other than current liabilities, are comprised of medium to long-term fixed interest rate debt.

Cash & cash equivalents	Fixed interest rates
Advance to directors	Non-interest bearing
Advance to companies controlled by a director	Non-interest bearing
Accounts payables and accruals	Non-interest bearing
Due to companies controlled by a director	Non-interest bearing
Due to directors	Non-interest bearing
Convertible debentures	Fixed interest rates

If the variable interest rates had increased by 1% during the year ended September 30, 2020, the Company's net loss would have increased by $5,484.

ii)Commodity price risk:
While the value of the Company's core mineral resource is related to the price of precious metals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities. Precious metal prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. Adverse movements in the prices of precious metals may also negatively impact the Company's ability to raise capital and meet its financial commitments.

Credit risk

Credit risk arises from cash with banks and financial institutions. The Company reduces this risk by dealing with creditworthy financial institutions. 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 subject to concentrations of credit risk through cash and cash equivalents.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuance. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. At September 30, 2020, the Company has a working capital of $27,352 (September 30, 2019 – negative working capital of $468,991)

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following are the contractual maturities of the financial liability's amounts:

	Less than 1 year $	**1 to 5 years $**	**> 5 years $**
Accounts payable and accruals	**578,628**	-	-
Due to companies controlled by a director	**34,000**	-	-
Due to directors	**36,530**	-	-
Convertible debentures – Host component	**215,433**	1,969,540	-

15. INCOME TAXES

Effective income tax expenses differs from income tax expense (recovery) computed based on the combined federal and provincial income tax rate of 26.56% (2019 – 26.90%) as a result of the following:

!	**2020 $**	2019 $
Loss before income taxes	**(3,174,887)**	(1,782,940)
Tax recovery using the Company's domestic tax rate	**(843,250)**	(479,611)
Loss in foreign jurisdiction subject to a different tax rate	**(5,799)**	(11,798)
Inflation adjustment in foreign jurisdiction subject to a different tax rate	**12,227**	10,880
Deduction from losses carry forward in foreign jurisdiction	**8,299**	(8,834)
Non-deductible expenses	**614,611**	95,869
Tax benefits not recognized	**215,754**	396,234
Total current income tax expenses	**1,842**	2,740

(Expressed in Canadian Dollars)

15. INCOME TAXES (continued)

The income tax effect of temporary differences that give rise to future tax assets and liabilities is as follows:

	2020	2019
	$	**$**
Deferred tax assets		
Non-capital losses	-	-
Exploration and evaluation expenses	-	-
Deferred tax liabilities		
Issuance costs	**(70,972)**	(56,887)
Net deferred tax liabilities	**(70,972)**	(56,887)

The non-capital losses expire as follows:

	Federal	**Quebec**	**Colombia**
	$	**$**	**$**
2027	-	-	-
2028	-	-	-
2034	7,167	7,167	-
2035	13,998	13,998	-
2036	323,455	323,455	-
2037	1,071,460	1,069,057	-
2038	1,358,670	1,355,631	-
2039	1,474,935	1,470,533	31,134
2040	866,966	865,871	3,490
	5,116,651	5,105,712	34,624

Movement in deferred tax balances during the year:

	Balance October 1, 2018	**Recognized in profit or loss**	**Balance September 30, 2019**	**Recognized in profit or loss**	**Balance September 30, 2020**
	$	**$**	**$**	**$**	**$**
Issuance costs	(30,585)	(26,302)	(56,887)	(14,085)	(70,972)

(Expressed in Canadian Dollars)

15. INCOME TAXES (continued)

Unrecognized deferred tax assets:

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

	2020	**2019**
	$	**$**
Non-capital losses	**1,368,105**	1,220,111
Exploration and evaluation expenses	**32,091**	30,504

The comparative information for the unrecognized deferred tax assets has been adjusted by an amount of $4,209.

16. RELATED PARTY TRANSACTIONS

The Company's related parties include an entity with significant influence, companies controlled by a director as well as key management personnel and director.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. All balances of advances receivables and advances payable are measured at fair value and occurred in the normal course of business.

	2020	2019
	$	$
Management fees		
Company controlled by a director	**120,000**	120,000
Key management personnel and director	**90,000**	90,000
Share-based compensation		
Key management personnel and director	**37,200**	45,698
Rent		
Company controlled by a director	**36,000**	36,000
Consulting fees		
Company controlled by a director	**31,500**	49,500

(Expressed in Canadian Dollars)

16. RELATED PARTY TRANSACTIONS (continued)

		Amounts owed by related parties	Amounts owed to related parties
		$	$
Key management personnel and directors	**2020**	**3,098**	**36,530**
	2019	3,098	21,606
Companies controlled by a director	**2020**	**8,646**	**34,000**
	2019	-	95,817
Joint operation	**2020**	**288,360**	**-**
	2019	-	-

The due and advance to directors are unsecured, payable on demand and bears no interest.

The dues and advances to companies controlled by a director is unsecured, payable on demand and bears no interest.

17. EXPLORATION AND EVALUATION EXPENDITURES

	Geology and prospection	Mining claims	Total E&E Expenditures
	$	$	$
Balance at September 30, 2019	1,086,150	291,529	1,377,679
Expenditures for the year	29,544	73,494	103,038
Balance at September 30, 2020	**1,115,694**	**365,023**	**1,480,717**
Balance at September 30, 2018	866,641	216,593	1,083,234
Expenditures for the year	219,509	74,936	294,445
Balance at September 30, 2019	**1,086,150**	**291,529**	**1,377,679**

18. COMMITMENTS

Net Smelter Return Royalty ("NSRR")
The Company has a 100% undivided interest in the Zamora Property, pursuant to an assignment agreement signed on July 17, 2013 involving two vendors and Auxico Mexico. As per the terms of this agreement, the Zamora Property is subject to a 2% NSRR from proceeds of first-hand sale of products proceed from the mining concessions on commencement of commercial production. Half of this NSRR can be purchased by the Company at any time for US $500,000.

18. COMMITMENTS

Farm-out Agreement
Pursuant to the Farm-out Agreement signed on June 13, 2013, the consideration received of US $300,000 is repayable on a quarterly basis starting sixty days after the start of the production of gold from the Zamora Property. The quarterly payments shall be equal to 7.5% of the net profits (after taxes) for each tranche of $100,000 lent by the Lender (75% for a consideration of US $1,000,000) until full repayment of the consideration.

After the consideration is fully repaid, the Lender will be entitled to receive, on a quarterly basis, an amount equal to 5% of the net profits (after taxes) for each tranche of $100,000 lent by the Lender (50% for a consideration of US $1,000,000) until an amount equal to three times the amount of the consideration is received by the Lender. After, the Lender will be entitled to receive, on a quarterly basis, an amount equal to 2.5% of the net profits (after taxes) for each tranche of $100,000 lent (25% for a consideration of US $1,000,000) thereafter for the life of the mine.

On October 17, 2016, the Company signed a Memorandum of Understanding ("MOU") with the Lender involved in the Farm-out Agreement mentioned above. Under the terms of the MOU, the Company had the option, but not the obligation, to cancel the Farm-out Agreement by paying to the Lender a total of US$400,000 in cash and by issuing a total of 1,000,000 common shares of the Company, upon or after the Company's listing on a registered Canadian stock exchange. The Company could initially exercise this option within 12 months of the signing of the MOU. The extension of this option, currently expired, was first prolonged to December 31, 2017, subsequently to June 30, 2018 and finally to August 31, 2019.

Net royalty – Central America Nickel
On May 25, 2018, the Company agreed to pay Central America Nickel Inc. ("CAN") a 2% net royalty on the production of gold on any deposit in the world where process is used by the Company. The Company has the option to buy back 50% of this royalty (or 1% of the 2% royalty) at any time through the issuance of 2,000,000 common shares of the Company.

Purchase agreements - Columbite
On August 18, 2020, the Company signed two purchase contracts for columbite. According to those contracts, as of the reporting date, there is still a quantity to be purchased by the Company. The Company estimated this commitment to approximate $322,000.

19. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to make their presentation identical to that adopted in 2020 and these reclassifications had no effect on the reported result of operations.

20. SUBSEQUENT EVENTS

i) Convertible debentures

On October 26, 2020, the Company announced that it has completed a non-brokered private placement, raising aggregate gross proceeds of $2,788,000 in participating convertible debentures (the "Debentures"). Each Debenture consists of $1 principal amount of participating, secured, non-redeemable convertible debenture maturing on October 23, 2023 (the "Maturity Date") and convertible at the option of the Debenture holder into: (i) units ("Units") of the Company that are equal to the principal amount of each Debenture being converted at a deemed price of $0.20 per Unit. Each Unit is comprised of one common share ("Share") in the capital of the Company and one warrant ("Warrant"). Each Warrant is exercisable into one Share at a price of $0.25 for a period of three years fromthe date of issuance; or (ii) the number of common shares of Central America Nickel Inc. ("CAN") (a private company based in Montreal, Canada) at a conversion price of $1.00 per CAN share; and (iii) a cash payment equal to the principal amount that such holder would receive if the holder held the Debenture from the date of conversion until the Maturity Date.

20. SUBSEQUENT EVENTS (continued)

i) Convertible debentures (continued)

The Debenture holders will receive a total of 13.94% of the net profits generated by Auxico, to be paid quarterly in arrears; this represents 1% of the profits for every $200,000 principal amount of Debentures ("Participating Feature"). The Participating Feature well apply to any profits generated for Auxico from the sale of tantalum, niobium and other minerals from Brazil, Colombia, the Democratic Republic of the Congo and other jurisdictions. This Participating Feature will expire on the earlier of the conversion of the Debentures into Shares of the Company, and the Maturity Date.

The Company paid finder's fees of $266,800 in cash in connection with the private placement and issued a total of 500,000 finders' warrants ("Finders' Warrants"). Each Finder's Warrant is exercisable into one Share at a strike price of $0.20 for a period of three years from closing. The Debentures issued pursuant to the private placement are subject to a four-month hold period in Canada.

The fair value of those Debentures was evaluated following the same evaluation technique as those issued during the year ended September 30, 2020. The fair value was estimated at $3,765,261.

ii) Acquisition of La Franca

On December 15, 2020, the Company announced that it had been granted an exclusive option to acquire the silver-gold La Franca mine, located in the state of Sinaloa, Mexico. The Company has a right to purchase 100% of the La Franca mine for US$500,000 payable over a 5-year period, and is subject to a 2% Net Smelter Return Royalty (NSRR) which can be re-purchased at any time from the owners for US$500,000 for each percentage point.

iii) Memorandum of understanding – Colombia

Subsequent to year end, the Company had paid the sum of $209,980 in the process of completing a due diligence regarding a memorandum of understanding signed on September 9, 2020 which concerns an eventual joint venture in Colombia.

vi) Acquisition of mining rights – Colombia

On December 14, 2020, the Company announced that it had acquired mineral rights and surface rights to a property located in the municipality of Puerto Carreno, department of Vichada, Colombia for a total value of $277,500.

v) Sale agreement

On December 7, 2020 the Company signed an agreement with a customer in India to sell an initial amount of 10,000 metric tonnes of high-grade manganese ore, with the option to increase this to 60,000 MT per month over a 12-month period.

The Company is in the process of shipping the first 10,000 MT to this customer, which the Company expects to happen in the first quarter of the 2021 calendar year given the delays caused by the global pandemic. A vessel has already been booked in this regard. The Company has the manganese ore, which was purchased on November 23, 2020, in a bonded warehouse in a port in Brazil.

20. SUBSEQUENT EVENTS (continued)

vi) Memorandum of understanding – Québec

On January 25, 2021, the board of directors of the Company approved the signing of a memorandum of understanding ("MOU") with Central America Nickel Inc. ("CAN"). CAN is a registered bidder for the assets of North America Lithium, which is presently in bankruptcy protection in the province of Quebec. As per the MOU, the Company contributed 50% of the deposit of $4,300,000 (or $2,150,000) required to be placed in trust with the bankruptcy monitor. This deposit is refundable in full in the event CAN does not win this competitive bidding process.

vii) Conversion of debentures

On December 3, 2020, 300,000 units of the Company were issued as a result of conversion of $30,000 principal amount of participating debentures. Each unit is comprised of one common shares and one warrant. Each warrants is exercisable into one common share at a price of $0.15 for a period of three years from the date of issuance.

viii) Exercise of stock options

During the month of December 2020, a holder of stock option exercised 175,000 options for a total consideration of $43,750.

During the month of January 2021, a holder of stock options exercised 120,000 options for a total consideration of $30,000.

ix) Exercise of warrants

During the month of January 2021, two holders of warrants exercised a total of 630,000 warrants for a total consideration of $252,000.