Graphite Energy Corp.

Financial Statements

June 30, 2020

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Graphite Energy Corp.

Opinion

We have audited the financial statements of Graphite Energy Corp. (the "Company"), which comprise the statements of financial position as at June 30, 2020 and 2019 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company accumulated deficit of $2,181,857 as at June 30, 2020. This condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

September 21, 2020

Graphite Energy Corp.
Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	June 30, 2020 -$-	June 30, 2019 -$-
ASSETS			
Current assets			
Cash		141,836	1,764
GST Receivable		11,167	13,365
Prepaid expenses		10,119	-
TOTAL ASSETS		**163,122**	**15,129**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	4	132,564	318,595
TOTAL LIABILITIES		**132,564**	**318,595**
SHAREHOLDERS' EQUITY			
Share capital	5	2,212,415	1,617,389
Deficit		(2,181,857)	(1,920,855)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**30,558**	**(303,466)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**163,122**	**15,129**

Nature of operations and going concern (Note 1)
Proposed transaction (Note 8)
Subsequent events (Note 10)

Approved and authorized on behalf of the Board on September 21, 2020:

"Teresa Cherry" Director *"Adrian F.C. Hobkirk"* Director

The accompanying notes are an integral part of these financial statements

Graphite Energy Corp.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	June 30, 2020 - $ -	June 30, 2019 - $ -
EXPENSES			
Consulting		2,301	-
Management and directors fees	6	215,680	252,687
Miscellaneous		-	3,613
Office and administration		2,170	13,345
Professional fees		14,093	17,319
Regulatory and filing fees		11,716	11,277
Shareholder communications		-	1,419
Transfer agent fees		13,981	9,296
Travel and related fees		1,061	1,279
Total expenses		(261,002)	(310,235)
Other items			
Gain on debt forgiveness		-	41,785
Impairment of exploration and evaluation asset	3	-	(643,411)
Foreign exchange gain (loss)		-	463
Net and comprehensive loss		**(261,002)**	**(911,398)**
Basic and diluted loss per share		**(0.08)**	**(0.32)**
Weighted average shares outstanding		**3,111,941**	**2,816,051**

The accompanying notes are an integral part of these financial statements

Graphite Energy Corp.
Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Note	Share capital Number of shares	Share capital Amount - $ -	Deficit - $ -	Total - $ -
Balance at June 30, 2018		**2,816,051**	**1,617,389**	**(1,009,457)**	**607,932**
Net and comprehensive loss for the year		-	-	(911,398)	(911,398)
Balance at June 30, 2019		**2,816,051**	**1,617,389**	**(1,920,855)**	**(303,466)**
Shares issued for private placement (net)	5	6,000,000	595,026	-	595,026
Net and comprehensive loss for the year		-	-	(261,002)	(261,002)
Balance at June 30, 2020		**8,816,051**	**2,212,415**	**(2,181,857)**	**30,558**

The accompanying notes are an integral part of these condensed interim financial statements

Graphite Energy Corp.
Statements of Cash Flows
(Expressed in Canadian dollars)

	June 30, 2020 $	June 30, 2019 $
Operating activities		
Loss for the year	(261,002)	(911,398)
Items not affecting cash:		
Impairment of exploration and evaluation assets	-	643,411
Gain on debt forgiveness	-	(41,785)
Net change in non-cash working capital items:		
GST receivable	2,198	(2,396)
Prepaid expenses	(10,119)	10,834
Accounts payable and accrued liabilities	(6,031)	155,827
Net cash flows used in operating activities	(274,954)	(145,506)
Financing activities		
Shares issued, net of share issuance cost	415,026	-
Net cash flows provided by financing activities	415,026	-
Change in cash	140,072	(45,506)
Cash, beginning	1,764	147,269
Cash, ending	**141,836**	**1,764**

During the year ended June 30, 2020, the Company issued shares to settle $180,000 of debt.

During the year ended June 30, 2019, the Company had no non-cash transactions.

1. Nature of operations and going concern

Graphite Energy Corp. (the "Company") was incorporated on October 14, 2016 under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company's shares are listed on the Canadian Security Exchange ("CSE"). During the year ended June 30, 2019, the Company completed a 10 for 1 share consolidation. All references to the number of shares and per share amounts have retroactively restated to reflect the consolidation.

The head office, principal address and registered records office of the Company is located at 750 West Pender Street, Suite 804, Vancouver, British Columbia, Canada, V6C 2T7.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At June 30, 2020, the Company had not achieved profitable operations, had an accumulated deficit of $2,181,857 and expects to incur further losses in the development of its business, all of which indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its mineral property exploration activities and its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

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

2. Statement of compliance with International Financial Reporting Standards and basis of preparation

These financial statements were authorized for issue on September 21, 2020, by the directors of the Company.

Statement of compliance with International Financial Reporting Standards
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies applied in preparation of these financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended June 30, 2019, except for the following:

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Changes in accounting policies

The following is the Company's new accounting policy for leases under IFRS 16:

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, Leases which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019. The Company currently has no leases.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a material impact on the Company's financial statements other than note disclosure. The Company has not early adopted these revised standards.

Basis of preparation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during this year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based payments and recognition of deferred tax amounts.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

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

i) Going concern
The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as, expectations of future events that are believed to be reasonable under the circumstances.

ii) Impairment of assets
Economic recoverability and probability of future benefits of exploration and evaluation assets. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

iii) Exploration and evaluation expenditures
The application of the Company's accounting policy for exploration and evaluation expenditures capitalized requires judgment in determining which expenditures are recognized as exploration and evaluation assets and applying the policy consistently. In making this determination, the Company considers the degree to which the expenditure can be associated with finding specific mineral resources.

iv) Deferred taxes
Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized.

v) Share-Based Compensation
The Company uses the fair value method of valuing compensation expense associated with the Company's share-based compensation plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant.

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

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

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

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

Exploration and evaluation assets

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

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

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

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

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

Share-based payments

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

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

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

The following table shows the classification under IFRS 9:

Financial assets/liabilities	Classification
Cash	FVTPL
Trade payables	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

Debt investments at FVOCI

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

Equity investments at FVOCI

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

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

(iii) Impairment of financial assets at amortized cost

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

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

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

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

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

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

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

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

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

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, and short-term highly liquid investments and bank overdrafts.

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

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

Deferred income tax:
Deferred tax is accounted for using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of the assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries, associates and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and expected date of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilized.

Loss per share
Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercise were used to acquire common shares at the average market price during the reporting period.

(Expressed in Canadian dollars)

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Restoration and environmental obligations

The Company recognizes liabilities for legal and constructive obligations associated with the retirement of exploration and evaluation assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in the regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

The Company did not have any restoration provisions at June 30, 2020 and 2019.

3. Exploration and evaluation asset

Lac Aux Bouleaux Graphite Project – Quebec, Canada

On December 20, 2016, and amended March 30, 2017 and September 11, 2017, the Company entered into a purchase option agreement ("agreement") with Gold Port Resources Ltd ("GPRL") to earn a 100% interest in the Lac Aux Bouleaux Graphite Project ("LAB Project"). The LAB Project is a contiguous set of 14 claims located in the Province of Quebec. To earn its interest in the project, the Company must pay GPRL $60,000 (paid), a second payment of $60,000 (paid) on the closing date (the date on which the shares of the Company trade on a stock exchange) and a final payment of $60,000 (not paid) six months from the closing date. Additionally, the Company must issue 5,000,000 common shares (issued) upon signing of the agreement, which shall be subject to a one-year trading restriction from the closing date in addition to any trading restrictions imposed by the British Columbia Securities Commission.

During the year ended June 30, 2019, the Company returned the property to GPRL and fully impaired the property.

4. Trade payables and accrued liabilities

	June 30, 2020 -$-	**June 30, 2019 -$-**
Trade payables	100,429	78,851
Amounts due to related parties (Note 6)	22,660	226,144
Accrued liabilities	9,475	13,600
Total	**132,564**	**318,595**

(Expressed in Canadian dollars)

5. Share capital and reserves

Authorized share capital

An unlimited number of common shares without par value.

Issued share capital

As at the year ended June 30, 2020 there were 8,816,051 (2019 – 2,816,051) issued and fully paid common shares.

On June 12, 2020, the Company closed a private placement issuing 6,000,000 common shares at a price of $0.10 per share for gross proceeds of $600,000.

During the year ended June 30, 2019, there were no share capital transactions.

Warrants

During the years ended June 30, 2020 and 2019, there were no transactions involving warrants.

The following table summarizes information about the warrant transactions during the period ended June 30, 2020 and year ended June 30, 2019:

	Warrants	
	Number of warrants	**Weighted average exercise price - $ -**
Outstanding, June 30, 2018	**3,175**	**2.00**
Expired	(3,175)	2.00
Outstanding, June 30, 2019 and 2020	**-**	**-**

Stock options

The Board has approved a Stock Option Plan, designed for selected employees, officers, directors, consultants and contractors, to incentivize such individuals to contribute toward the Company's long-term goals, and to encourage such individuals to acquire shares as long-term investments. The Stock Option Plan is administered by the Board and authorizes the issuance of stock options not to exceed a total of 10% of the number of shares issued and outstanding from time to time. The terms of any award are determined by the Board, provided that no options may be granted at less than the fair market value of shares as of the date of the grant. The maximum term of the options is ten years.

As at June 30, 2020 and June 30, 2019, the Company had no options outstanding.

(Expressed in Canadian dollars)

6. Related party transactions

Balances

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 4) and have arisen from the unpaid portion of certain fees disclosed below as well as amounts owing for expense reimbursements. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

	June 30, 2020 - $ -	**June 30, 2019** - $ -
Companies controlled by directors and an officer of the Company	21,894	146,000
Directors and officer of the Company	766	80,144
	22,660	226,144

Transactions

During the year ended June 30, 2020, the Company incurred management fees of $80,680 (2019 - $67,687) to the CEO of the Company and director fees of $75,000 (2019 - $75,000) to a company controlled by a director of the Company. The Company also incurred consulting and professional fees of $60,000 (2019 - $110,000) with a company controlled by the CFO of the Company, and settled $180,000 of debt with an officer and director of the Company and a significant shareholder of the Company.

7. Financial risk and capital management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts at a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed as low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

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

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

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at June 30, 2020, the Company had no financial liabilities denominated in a foreign currency. As at June 30, 2020, the Company has financial assets denominated in the US Dollar, which will be affected by changes in the exchange rate between the Canadian Dollar and the US Dollar.

If the Canadian dollar changes by one percent against the US Dollar, with all other variables held constant, the impact on the Company's foreign denominated financial instruments would result in a nominal change in profit or loss.

Interest rate risk

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

Capital Management

The Company's policy is, if permitted by market conditions, to maintain a strong capital base so as to support investor and creditor confidence and support future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves net of accumulated deficit. The Company is not subject to any externally imposed capital requirements and there were no changes to the Company's capital management for the year ended June 30, 2020.

Fair value

The Company's financial instruments consist of cash and trade payables. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these investments.

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

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

Cash is measured at fair value using Level 1 inputs.

8. Proposed transaction

On June 17, 2020 the Company entered into an into an agreement with third party arms' length vendors (the "Vendors") to acquire (the "acquisition") a 100% ownership in a company that owns certain tenements for gold mineralization in Western Australia, whereby, the Company will have all base and precious metal mineral rights except for diamonds and iron ore which remain with the Vendors.

(Expressed in Canadian dollars)

8. Proposed transaction (cont'd)

Pursuant to the agreement, the Company will make the following common share issuances to the Vendors on a pro rata basis:

- 7,500,000 common shares to acquire 100% ownership of the company;
- On the completion of a drill program of 4,000 meters, an additional 2,500,000 common shares;
- On the announcement of not less than 500,000 ounces of gold within the property package, as defined in a resource calculated compliant to NI 43-101 standards a further 2,500,000 common shares; and
- On the announcement of at least 1,000,000 ounces of gold within the property package, as defined in a resource calculated compliant to NI 43-101 standards a further 2,500,000 common shares.

The acquisition is subject to the Company completing a due diligence program including an initial 43-101 report on the project as well as receiving applicable regulatory approvals. The Company is paying a finder's fee of 750,000 common shares on the completion of the transaction to a non-related third party.

9. Income Tax

A reconciliation of income taxes at statutory rates with the reported income taxes is as follows:

	June 30, 2020 -$-	June 30, 2019 -$-
Net loss	(261,002)	(911,398)
Statutory tax rate	27%	27%
Expected income tax recovery	(70,471)	(246,077)
Other	(12,183)	-
Change in unrecognized deductible temporary differences	82,654	256,158
Effect of change in tax rate	-	(10,080)
Total income tax recovery	-	-

The significant components of the Company's deferred tax assets and liabilities are as follows:

	June 30, 2020 -$-	June 30, 2019 -$-
Unrecognized deferred tax assets:		
Share issue costs	1,074	196
Non-capital losses	426,100	501,786
Resource pool	173,722	16,261
Total unrecognized deferred tax assets	600,896	518,242

10. Subsequent Events

Subsequent to the year ended June 30, 2020 the Company completed the following:

- A non-brokered private placement financing of 13,000,000 units at a price of $0.20 per unit for gross proceeds of $2,600,000. Each Unit is comprised of one common share and one transferable common share purchase warrant. Each Warrant allows the holder to purchase one additional common share of the Company at a price of $0.35 per share for a period of three years from the date of closing of the Private Placement. The Warrants are subject to an acceleration provision, whereby if the Company's shares close at or above $0.40 per share for more than 10 consecutive trading days, the holder will have 30 days from that date to exercise the warrant or it will expire. The Company paid finder's fees totaling $82,000 and 930,000 finder's warrants in connection to the private placement. The Finder's Warrants are non-transferable and exercisable on the same terms as the Warrants issued in the Private Placement.

- Entered into an agreement to acquire 100% of the issued and outstanding shares Swan Gold Ltd., a private British Columbia Company, that holds, through Swan Gold (Australia) Pty Ltd. certain gold focused tenement applications called "York NE", "Warrawoona E" and "Beatons SE" in the Pilbara region, Western Australia. In consideration for the acquisition of Swan Gold Ltd., the Company will issue a total of 7,500,000 common shares to the shareholders of Swan Gold Ltd. (the "Consideration Shares"). The Consideration Shares will be subject to the following restrictions on resale:
  i. 30% of the Consideration Shares will be free trading on the date of closing,
  ii. 20% of the Consideration Shares will be subject to resale restrictions for four months,
  iii. 20% of the Consideration Shares will be subject to resale restrictions for eight months,
  iv. the final 20% of the Consideration Shares will be subject to resale restrictions for twelve months.

  The Company will pay a finder's fee equal to 750,000 shares in connection with the transaction. The transaction is at arms-length and will not result in the creation of a control position. The transaction is subject to receiving approval from applicable regulatory authorities.

- On August 21, 2020, granted incentive stock options to purchase a total of 2,100,000 common shares at an exercise price of $0.66 per share for a period of five years to certain directors, consultants and advisory board members in accordance with the provisions of its stock option plan.

- On July 16, 2020, the Company announced it was proposing to change the name of the Company to Australian Goldfields.